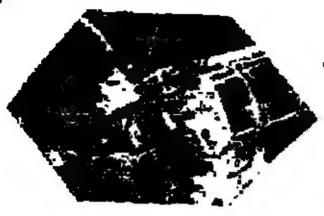
FINANCIAL TIMES



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World Business Newspaper — THURSDAY MAY 9 1996

German MPs to debate shop hours reform

The fate of German shop opening hours could be resolved today when the Bundestag, the country's lower house, finally considers liberalisation. Pressure for reform the the rigid rules has been growing for years and leading economics institute Ifo has said it could create up to 50,000 jobs at a time of record unemployment. Page 3

Ticket scandal hits UK football organisers

A ticket scandal has rocked Britain's Football Association only weeks before it is due to launch the UK's biggest sporting event for 30 years. FA commercial director Trevor Phillips (left) has quit and police are probing the sale of tickets for the European Championships, the association confirmed. The investigation is said to focus on corporate hospitality tickets rather than tickets for sale to the public. Page 16

Trial of ex-Nazi opens: The trial of 82-year-old former Nazi SS captain Erich Priebke on war crimes charges began in a Rome military court. Extradited to Italy from Argentina last year, Priebke is accused of helping the massacre of 335 Italians in caves outside Rome in 1944. Page 2

EU seeks tougher controls: Britain has been told to toughen controls on gelatin and tallow production as a condition of getting the European Union to start lifting its ban on beef products. Page 12

Boost for Ericsson: Swedish telecoms group Ericsson boosted first-quarter profits by 28 per cent to SKr1.55bn ($227m), thanks mainly to a 36 per cent jump in turnover by its mobile products division. Page 17

Protesters fight police: German anti-nuclear protesters fought police in the northern town of Danneberg in a last-ditch attempt to prevent a nuclear waste shipment reaching a depot in northern Germany. Several demonstrators and police were seriously injured. Page 3

Newscorp shares fell almost 3 per cent after Rupert Murdoch's media and entertainment group reported a sharp drop in third-quarter after-tax profits from A$251m (US$200m) a year earlier to A$77m, due mainly to a A$204m abnormal item. Page 22

Profits fall at UK supermarket: British supermarket group J. Sainsbury announced its first drop in underlying profits in its 22 years as a public company. Pre-tax, pre-exceptional profits fell from £808m to £764m in the year to March 9. Page 17; Lex, Page 16

Slovak privatisation shelved: Slovak prime minister Vladimir Meciar postponed the privatisation of the country's main banks indefinitely. Page 2

Vietnam contracts on hold: Four telecoms contracts totalling some $1.4bn appear stalled because of Vietnamese worries about letting foreigners into the sector and a shift in the country's revenue forecasts. Page 6

Israel and UN at loggerheads: Israel clashed with the United Nations over a UN report that questioned whether Israel's bombardment of a UN base in Lebanon last month was an accident. More than 100 civilians were killed. Page 4

Hashimoto in call to banks: Japanese banks should bear more of the costs of liquidating the country's bankrupt housing loan companies, prime minister Ryutaro Hashimoto said. His call signalled that the government may change its plan to spend public money on the liquidation. Page 4

Swissair monopoly may go: Switzerland wants to end the its national carrier's monopoly in domestic air traffic following Swissair's decision to concentrate international flights on Zurich. Page 2

UK van maker seeks partner: British vanmaker LDV is looking for a development partner, possibly in Asia. LDV has risen from the ashes of the former Leyland Daf group. Page 12

America Online, the US consumer online information company, is to launch a joint venture in Japan with trading company Mitsui and Nihon Keizai Shimbun (Nikkei), publisher of the leading Japanese business newspaper. AOL's third quarter revenues leapt 185 per cent to $312.3m. Page 17

Clinton challenge: President Bill Clinton challenged the Republican majority in the US Congress to pass the necessary legislation without "poison pills" that would ensure his veto. Page 11

De Klerk angry over new constitution ■ Sharp divisions with ANC

Rand falls amid fears of disunity in S Africa

By Roger Matthews in Cape Town

Celebrations to mark the adoption of a new constitution by South Africa were marred yesterday by a further sharp fall in the value of the rand and fears that the government of national unity could soon fall apart.

The rand which opened in Johannesburg at R4.35 to the dollar, later fell to a new low of R4.48, while industrial shares closed at a five-month low.

Mr F.W. de Klerk, leader of the National party, told the constitutional assembly his organisation would next week review its position as a junior partner in the government because of dissatisfaction with some clauses in the constitution.

The assembly's vote came two years after elections which ended the country's apartheid regime and brought President Nelson Mandela and the African National Congress to power.

The National party voted for the new constitution, which passed by 421 votes to two, with 10 abstentions. But Mr de Klerk, who is also deputy president, expressed reservations about several clauses and complained that the ANC had used its majority to dominate the negotiating process.

"This new constitution rings the death knell of multiparty participation in decision-making at the executive level," he said.

His remarks reflect the sharp divisions within his party over compromises struck with the ANC during hectic last minute negotiations. There was particular concern over the clause which says no provision in the section on property rights "may impede the state from taking legislative and other measures to achieve land reform or equitable access to natural resources".

This follows a clause allowing individuals or communities to seek restitution for property seized under "past racially discriminatory laws or practice", which has raised the strongest fears among the farming community, an important part of the National party's support base.

The ANC refused, however, to accept any wording which would have legitimised land seizures and other actions committed during the apartheid era.

Nelson Mandela (left) with F.W. de Klerk (centre) and Constitutional Assembly chairman Cyril Ramaphosa after South Africa's new constitution was approved in Cape Town Picture: Reuter

Foreign and local investors were unsettled by the disputes. The overall stock index ended 80.5 points weaker at 6,795.6, while the industrial index slipped 203.6 points to 7,939.8. Gold shares were a safe haven for investors, with the sector adding 2.5 per cent and rising to a 17-month high.

The problems of the rand were highlighted by an announcement last night from the Reserve Bank that gold and foreign exchanges reserves fell last month by R2.3bn to R11.7bn, mainly as a result of efforts to calm the currency markets.

The fall makes it even less likely that the Reserve Bank could recommend any easing of foreign exchange controls, the removal of which have prompted much of the speculation against the rand.

The National party was also divided over the compromise struck on education. Most members were unhappy with having to accept a wording which allows Afrikaans to be used as the single medium of tuition only "where reasonably practical" and with "regard to appropriate alternatives".

Mr de Klerk has threatened to leave the government, but Mr Mandela stressed yesterday that the ANC's entire strategy was not to abuse its power.

Rands and sentiment, Page 4
Editorial Comment, Page 15

US groups team up to develop new jumbo engine

By Michael Cassell and Michael Skapinker in London

General Electric and Pratt & Whitney of the US are to collaborate for the first time to develop an engine for the new generation of Boeing "super-jumbo" aircraft due to enter service early in the next century.

After six weeks of talks, the two aero-engine manufacturers announced yesterday they would develop and market the engine for new versions of the Boeing 747 through a 50-50 joint venture company.

They said the project, likely to cost up to $1.5bn, had been discussed with Boeing, which had urged them to explore a joint programme.

The decision is a potential blow to Rolls-Royce of the UK, which has been mentioned frequently as a potential merger partner for Pratt & Whitney.

However, Rolls-Royce last night said, it hoped to offer one of the existing Trent family of engines – or a variant – to power both the proposed 747-500, an extended range version of the 747-400, and the 747-600, a stretched version carrying up to 540 passengers.

GE said talks on the location and the precise workings of the new company would take place over the next few months.

The companies are defining the engine's technical specifications and the structure of the joint venture. Management for the venture will be held solely by the two partners, although they said additional revenue-sharing participants would be considered for the programme.

They confirmed the previously stated intention to have the engines on sale by 2000.

Boeing has said it wants to begin work on new versions of the 747 by the end of the year.

The partners claimed the engines would offer Boeing and the airline industry "the best engine in a timely fashion and at a significantly lower cost".

GE and Pratt & Whitney have both complained about the cost of developing engines and have said it would be preferable for

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Brussels seeks more power to combat fraud

Criminal gangs operating across national borders

By Bruce Clark in Brussels

The European Commission said yesterday it needed greater authority to combat the mounting threat posed by organised crime syndicates, which were operating across national boundaries and were intent on defrauding the European Union.

Ms Anita Gradin, the commissioner responsible for fighting fraud, said 4,750 cases of malpractice, involving Ecu1.15bn ($1.42bn) or 1.4 per cent of the budget, had been reported to the Brussels executive last year. This compared with 4,130 cases, involving Ecu1.09bn, in 1994.

But the Commission's 1995 report on fraud said the most disturbing development was the huge damage done by a minority of large-scale swindlers; some 10 per cent of the cases accounted for half the money lost.

Ms Gradin said the agricultural budget, which accounted for about half the fraud cases, was being cheated by "criminal gangs" which also specialised in the drugs trade and money-laundering. "We are struck by the fact that there is more and more organised crime," she said, adding that many crime syndicates straddled national borders and could not be countered by individual nations acting alone.

Ms Gradin said more of the responsibility for fighting fraud should be a core function in which all European Union institutions were involved. She said the issue of fraud was bound up with that of maintaining the internal market, which was part of the core institutions' job.

Most co-operation in the fight against crime takes place under the poorly functioning "third pillar" which brings together the interior and justice ministries of the EU's 15 members.

The 1995 report showed a decline in the value of newly detected fraud cases in the farm sector – to Ecu316m, compared with Ecu489m in 1994 – and said this partly reflected reforms in the Common Agricultural Policy. Because of these reforms, expenditure on export refunds for cereals and on olive oil subsidies – sectors where levels of fraud were high – had been reduced.

However, the reported value of fraud cases related to the EU's structural funds had risen sharply from Ecu21m in 1994 to Ecu67m in 1995, the report said, although it added that this might reflect a tightening of member states' obligations to report fraud as soon as it was discovered.

As an example of cross-border fraud, the report cited a string of cases where dairy products or sugar from central and eastern Europe were reaching the EU market without being subject to duty. This was often made possible through the abuse of transit arrangements.

The Commission said 4,000 calls had been received on an anonymous telephone line established last year on which suspected fraud could be reported. About 200 cases had been investigated leading to the discovery of Ecu30m of embezzlement.

European job agencies plan merger to rival world leader

By David Buchan in Paris

Two European employment agencies – Ecco of France and Adia of Switzerland – plan to merge, forming a group with sales of about FFr32bn ($6bn) a year which will challenge the US company Manpower for world leadership of the sector.

Under the deal announced yesterday, Adia will absorb Ecco by offering 1.028 shares for each Ecco share, with a limited cash alternative. The company will be Swiss, but will be renamed and quoted on the Paris, Zurich and New York stock exchanges.

The move comes as demand for temporary staff, particularly in accounting, computing and engineering, is growing fast as companies seek to expand or restructure without increasing permanent overheads.

The merger will put the group level with Manpower, the current leader with 8 per cent of the world market in personnel services if Manpower's franchises are taken into account.

There is no agreement yet on the name, except it should reflect the two existing brand names.

Adia, with turnover of SFr3.66bn ($2.94bn), is smaller than Ecco which had sales of FFr20.5bn ($3.97bn) last year but the Swiss structure has been chosen for the new group. Adia is listed on more exchanges than Ecco, its share price has recently performed better, and its public shareholders were felt to be more sensitive over a foreign takeover than Ecco's.

The chairmen of the two companies will alternate as president, Mr Philippe Foriel-Destezet of Ecco will hold the job for the first year, followed by Mr Klaus Jacobs of Adia. Mr Foriel-Destezet and Mr Jacobs control, respectively, 46 and 53 per cent of their companies and have pledged to remain long-term shareholders of the group.

The new company will have combined revenues of about FFr32bn after Ecco sells its small security and cleaning business to Mr Foriel-Destezet.

The two companies see potential growth from gradual labour deregulation in leading economies such as Germany and Japan, where temporary employment has been costly or difficult.

The companies claim a geographic fit. Adia's main strengths are in the UK, Germany, Switzerland, Japan, Australia and the key US market, complementing Ecco's presence in France, Spain, Canada, south America and south-east Asia. Mr John Bowmer, a Briton who has been the California-based chief executive of Adia, will assume that role in the new group.

On the basis of their 1995 results, the combined net income of the companies was FFr1.07bn. At a Paris press conference, Mr Foriel-Destezet and Mr Jacobs claimed the merger would bring savings of FFr85m a year from rationalising operations and marketing.

Despite claiming an additional one-off tax saving of FFr210m from the merger, planned to be completed in late July, the companies warned that the new group would show a net loss for 1996. This is because of the need, under American accounting rules which the group will adopt, to write off goodwill arising from the merger.

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,361.57	(-39.39)
NASDAQ Composite	1,168.38	(-14.29)
Europe and Far East		
CAC40	2,083.74	(-6.68)
DAX	2,472.84	(-6.89)
FT-SE 100	3,707.3	(-15.7)
Nikkei	21,728.6	(+233.32)

■ US LUNCHTIME RATES

Federal Funds	5$\frac{7}{16}$%
3-mth Treas Bills: Yld	5.114%
Long Bond	87$\frac{1}{16}$
Yield	7.036%

■ OTHER RATES

UK: 3-mo Interbank	6$\frac{1}{16}$%	(same)
UK: 10 yr Gilt	95$\frac{5}{32}$	(94$\frac{13}{16}$)
France: 10 yr OAT	closed	(100.625)
Germany: 10 yr Bund	98.11	(97.9)
Japan: 10 yr JGB	97.093	(97.127)

■ NORTH SEA OIL (Argus)

Brent Dated	$19.91	(20.03)

■ GOLD

New York Comex		
(Jun)	$394.5	(395.8)
London:		
close	$394.6	(393.6)

■ DOLLAR

New York: lunchtime		
£	1.5288	
DM	1.5145	
FFr	5.124	
SFr	1.2315	
Y	105.165	
London:		
£	1.5162	(1.5113)
DM	1.5183	(1.5213)
FFr	5.139	(5.1443)
SFr	1.2337	(1.2403)
Y	105.23	(104.885)

■ STERLING

DM	2.3019	(2.2992)
Tokyo $ close:	Y 105.4	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kč60	Israel	Shk7.80	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	U$3.000			UAE	Dh12.00

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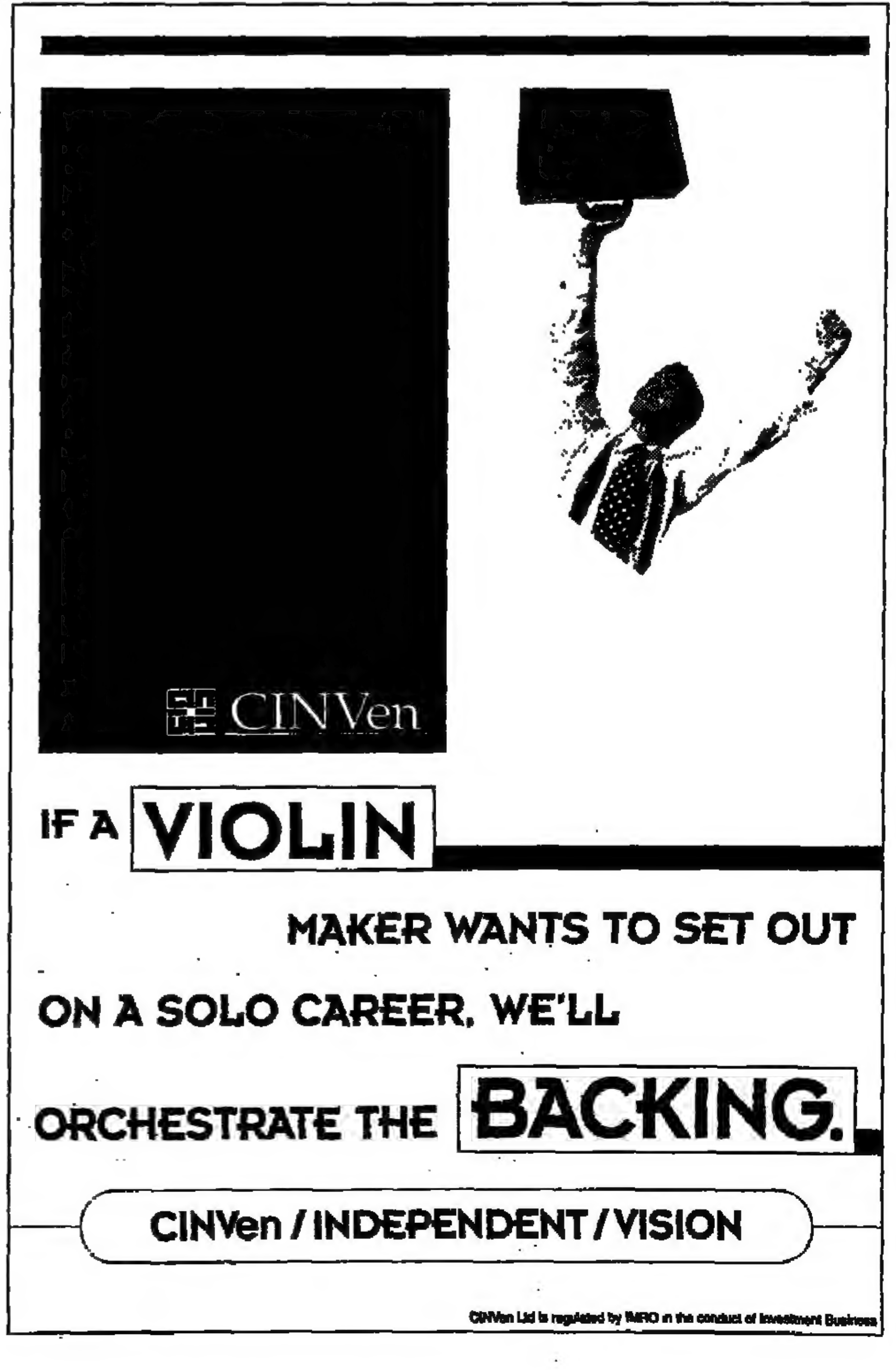

Banding together Emu's outsiders

The concept of a new ERM is broadly agreed; the details remain to be thrashed out

By Gillian Tett, Economics Correspondent

Mr Yves Thibault de Silguy, the European Union's monetary commissioner, meets British officials today in London keen to market the merits of a new exchange rate mechanism linking countries outside the planned European monetary union with the proposed single currency.

His visit comes as the new ERM concept is gathering momentum. Expectations are growing that both Italy and Finland will join the existing ERM this summer. Broad agreement has emerged among European leaders not only on the need for a new ERM if Emu occurs in 1999 but also on some principles underpinning it.

The European Monetary Institute, forerunner of a future European central bank (ECB), hopes to thrash out many details this summer. However, there is a consensus among Europe's central bankers that any new ERM should be based around loose bands, with some currencies operating in narrower bands if they wish.

The width of the broad bands is thought likely to be similar to the current 15 per cent, with smaller bands of about 2.5 per cent.

On the face of it, this would leave a future ERM looking little different from the present one – with the key distinction that ERM currencies would be anchored around the euro, rather than each other.

But the expectation is that the national banks of currencies under attack would have to bear much of the responsibility for intervention rather than relying simply on the ECB to bale them out.

This would not preclude some assistance from the ECB. But calls from such countries as France for a rigid system of intervention commitments look set to be squashed.

Nevertheless, if the ECB's intervention commitments are limited, then one of the key bargaining points this summer will be how much power it will have in setting ERM rates.

Many bankers currently think that the ECB, rather than national banks, should determine ERM levels. The hope behind this is that costly intervention can be avoided by making the system as market credible as possible.

But another way bankers hope to avoid instability is by putting pressure on countries to avoid economic policies – such as excess deficits – that might expose their currencies to attack. Details have yet to be thrashed out.

The French, for example, want to guard against devaluation through threats to pay EU funds in national currencies, rather than the euro, and to reduce structural funds to EU members who run deficits.

The Commission will produce a report on the these ideas by the next formal meeting of EU ministers in the summer.

They are fiercely opposed by many member states and are regarded with scepticism by some key Brussels officials.

Another idea, proposed by the Commission, would be to bolster existing measures in the Maastricht treaty which allow (in a very vague form) for surveillance and sanctions against countries with excessive deficits.

The Commission partly hopes to use this to counter German proposals for a fiscal "stability pact" for the euro area. But it also hopes it would make the ERM more credible, arguing that better surveillance of countries' monetary and budgetary policies could support currencies.

The prospect of national budgets being scrutinised by fellow member states – or the Commission – is controversial in countries such as Britain. But most European central bankers regard some form of policy surveillance as desirable - although how the ECB would relate to other European institutions in this is unclear.

As one banking official says: "Surveillance is a lot cheaper than intervention."

It is these subtle issues of surveillance, rather than eye-catching questions of currency bands, which are likely to provide the real meat for debate over the rest of the year.

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Greece's share registration row hits bourse

By Kerin Hope in Athens

An attempt to improve transparency among Greek companies has backfired, leading to a slump in trading on the Greek stock exchange and uncertainty for foreign companies working in the country.

The bourse authorities have suspended trading in 39 Greek companies involved in large infrastructure projects until their shares are registered in the names of individual owners.

In a move intended to discourage speculation in shares of construction and high-tech companies bidding for public works projects partly funded by European Union grants, the government ruled that shares in such companies must be registered under individual names.

All 30 construction companies listed on the bourse have had their shares suspended. The authorities say they failed to comply with new legislation giving a May 2 deadline for a switch from bearer to registered shares.

One official said: "The big contractors ignored the deadline, thinking they could use political clout to get a postponement of several months. This is not the case."

Trading volume on the bourse dropped to around a daily average of Dr3.3bn ($13.5m) this week, compared with around Dr6.6bn last month. Though the sector has lost ground recently because of delays in awarding contracts for EU-financed projects, trading in shares of the 30 listed construction companies still accounted for around 20 per cent of daily volume in April.

The Socialist government intends to make all 200 companies listed on the Athens bourse issue registered shares. At present only shares in Greek banks are registered.

Construction companies have appealed to their shareholders through newspaper advertisements to hand in their bearer share certificates as soon as possible and register for new ones. Investors are being warned that unless they do so, they will be unable to sell their shares or claim 1995 dividends.

Trading in construction shares may be frozen for several weeks until a majority of companies have made the changeover.

Brokers complain that the new legislation does not make clear whether institutional investors and foreign companies can claim exemption from registering their shareholdings under an individual name and use a company name, in line with securities regulations in the rest of the European Union.

An Athens broker said: "The move for more shares to be registered is good news for the bourse. But in its present shape, the new law implies discrimination against international investors."

One company affected by the legislation is Ericsson of Sweden, which holds an equity stake of about 10 per cent in Intracom, a Greek telecoms equipment manufacturer which is one of the biggest suppliers to OTE, the state telecoms monopoly.

International institutions also have shareholdings in Aktor and Helleniki Technodomiki, two large Greek construction companies which are participating respectively in international consortia awarded contracts to build a Dr450bn toll highway as part of a ring road for Athens and a Dr210bn bridge in western Greece.

Czech centre-right: on course for victory

minister Václav Klaus: a mix of innovation and pragmatism has kept many voters on the side of his Civic Democratic party

The main parties: latest opinion polls

Centre-right	
Civic Democratic party (ODS)	27.0%
Civic Democratic Alliance (ODA)	8.5%
Christian Democrats (KDU)	8.2%
	43.7%
Centre-left	
Social Democrats (CSSD)	20.5%
Various	7.2%
	27.7%
Far right	
Republican party (SPR)	6.6%
Far left	
Communists (KSCM)	7.8%

Source: Centre for Empirical Research polling agency

Czech right reaps reward of things going right

The mood is conservative, and continuity is the theme of the election, writes Vincent Boland

In the days when political prisoners languished in Czechoslovak jails, the Communist party was ensconced in an enormous riverside headquarters on the edge of Prague's Old Town. Now, Václav Havel, the country's most famous political prisoner, occupies the presidency in Prague Castle, and the Czech Communist party (KSCM) has fled to one floor of a grimy old palace on Political Prisoners Street, the resonant new name of a traffic-choked alley off Wenceslas Square.

Defiantly keeping its name and neo-Stalinist ideology, the KSCM is on the margins while the country undertakes successful economic reforms under its prime minister, Mr Václav Klaus. Through its failure to reform it has also found its political constituency taken by the Social Democrats (CSSD), the traditional party of the left in Czech politics.

As opinion polls bear out, the Czechs look set to return the centre-right coalition in a general election on May 31 and June 1. If they do, they will break a recent cycle that has seen reformers ousted and "post-Communist" governments returned to power across central and eastern Europe.

Mr Miroslav Grebeníček, the KSCM leader, still espouses collectivisation and a powerful state, and claims the events of the past six years have created "freedom and democracy for the rich and bureaucracy for the rest".

The party's appeal now is to pensioners and those who genuinely long for the old days, and it has a core 8 per cent support base. But, in a country with a tradition of social democracy dating from 1878, with a brief but much recalled period as a prosperous democracy from 1919 to 1938, and which is in the middle of a conservative revival, Mr Grebeníček admits the market for unreconstructed Marxism-Leninism is small.

The Czech Republic is rare in the region in not having a strong post-Communist party to which disgruntled voters can turn. The failure of the KSCM to reform itself meant that the left has developed in a different way than in Poland or Hungary, where ex-Communists have returned to power in recent elections.

President Václav Havel described the pre-1989 Communist party as "one of the most conservative and most sclerotic" of the eastern bloc's leaderships at the time. After the Prague Spring was crushed by Warsaw Pact troops in 1968 the new leadership abandoned all attempts at "goulash communism", and reformers were expelled.

After the Velvet Revolution in late 1989 a few young reform-minded members either quit politics or joined the new parties that emerged to fill the political vacuum. Mr Vladimir Dlouhy, the present industry minister and a member of the centre-right Civic Democratic Alliance, is a prominent example.

The re-emergence of the CSSD quickly filled the vacuum on the left, says Mr Jiří Pehe, a political analyst at the Open Media Research Institute, causing a further crisis for old-style communism. Prominent in the First Republic from 1918, the CSSD was the second-biggest party in the election that brought the Communists to power in 1948 but was then suppressed.

Now it is again the second-biggest party running in the election, offering a left-of-centre alternative to the government. But it is beset by weak leadership, and a half-hearted campaign has seen its support slip from a peak of 24 per cent last summer to 20 per cent now. Given the public animosity to the Communists, a coalition with the KSCM is out of the question.

Mr Klaus, who leads the Civic Democratic party, the country's dominant political force, has created a wide consensus for reform through a mix of innovation and pragmatism. He eschewed shock therapy, the death-knell of reformers in Poland and Hungary, and kept voters on-side through free mass privatisation and property restitution combined with rent controls and artificially low energy prices, ensuring that the transition has been quite painless.

This consensus was made possible by the country's social cohesion and its conservative slant. There is no angry small-farmer lobby as in Poland, and the government has been careful not to alienate pensioners. Blue- and white-collar workers alike own a stake in the economy as a result of mass privatisation.

The mood of the country is now firmly in the conservative camp, and continuity is the theme of the election campaign. "It is very difficult for [the left] to win votes in a country where most things have gone right since 1989," Mr Pehe notes.

If there is to be a swing to the left it could happen during the lifetime of the new parliament. Some tough decisions on deregulating important areas of the economy, especially energy prices, remain to be tackled. Faster industrial restructuring is likely to push unemployment much higher than the current 3 per cent.

These developments will have a sharp impact on incomes and could sharpen social divisions, perhaps fuelling the kind of backlash that saw Poles and Hungarians tire of reform. But in the view of Mr Pehe: "There may be a natural swing to the left, but it will be gradual."

Slovenia wins high credit ratings

By Kevin Done, East Europe Correspondent

The leading US and European credit rating agencies have given Slovenia, the most developed of the former Yugoslav republics, the highest initial ratings of any of the former Communist economies of central and east Europe.

Standard & Poor's and Moody's of the US, and the European agency IBCA all said yesterday they had placed Slovenia in the "A" category at the same level or slightly above the Czech Republic, previously the most highly rated of the transition economies.

This provides important support for Slovenia's strategy of building an independent presence in the international capital market and will help lower financing costs. It is the first of the former Yugoslavia states to obtain a credit rating, but could be followed by Croatia later this year.

The Republic of Slovenia is planning its maiden issue of around $200m in the Eurobond market in July; J P Morgan will be lead manager.

The ratings come at a crucial moment for Slovenia. It is trying to implement a landmark deal with the commercial banks for its share of the foreign debts of former Yugoslavia, in the face of legal action by Belgrade to try to halt the deal.

IBCA said that despite the uncertainty created by the litigation, the foreign debt agreement had set a model for the other former Yugoslav republics to follow and had been supported by the International Monetary Fund.

Slovenia is the only one of the transition economies to hold "A" category ratings from all three agencies.

S&P said that its rating reflected the country's "track record of responsible and consistent economic management, in particular tight monetary and fiscal policies, which resulted in an impressive and early stabilisation of the economy".

It warned, however, that the rating was constrained by the challenge of further lowering inflation and the need to implement wide-ranging public sector reforms, in particular pensions and healthcare.

It forecast growth of 5-6 per cent in gross domestic product in both 1996 and 1997 led by strong investment in the rapidly expanding private sector, the revival of tourism and the resumption of economic relations with the other states of former Yugoslavia.

S&P assigned the Republic of Slovenia its "A" rating for foreign currency debt and "AA" for local currency debt, while the other two agencies gave ratings one notch lower at "A-" for IBCA and at "A3" for Moody's.

Slovenia, which is rated by S&P and IBCA at the same level as the Czech Republic, is placed ahead by Moody's, which rates the Czech Republic at Baa1, one notch lower than Slovenia.

The ratings are independent evaluations and allow investors to compare the creditworthiness of different debt issues from different countries and institutions.

Of the transition countries of central and east Europe only Slovenia and the Czech Republic have received investment grade ratings from all three agencies, signalling only a very modest risk of default.

Slovakia and Poland both have the lowest investment grade rating of "BBB-" from S&P and Moody's, while Hungary has the same rating from IBCA. Other ratings for Poland, Hungary and Romania are all in the non-investment or speculative grade category.

Swissair could lose monopoly

Switzerland's government said yesterday that it wanted to end the legal monopoly in domestic air traffic held by Swissair, the national carrier, and would liberalise its domestic air policy, Reuter reports from Geneva.

The decision was tied to a recent decision by Swissair to concentrate international flights on Zurich, making Geneva a secondary centre for its operations.

The government said it would offer more liberal carrier rights to non-Swiss airlines in exchange for reciprocal rights.

This exchange of rights would have to be negotiated, it said. The liberalisation would also affect Geneva airport.

Swissair responded by saying that it welcomed the government's plans to end some restrictions on rival airlines flying in and out of the country. A spokesman said the airline was in favour of the move, which was likely to lead to more rights for Swissair within the European Union.

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High German levies lead Michael Jackson to call off his visit

Tax strikes sour note with singer

By Wolfgang Münchau in Frankfurt

Pop star Michael Jackson has pulled out of the German leg of his forthcoming European tour because of the level of tax the government levies on box office receipts.

Special tax rules for foreigners in the 1996 tax law would have forced Mr Jackson to pay more in tax than he would have received in earnings.

It is one of the toughest tax regimes ever introduced in Germany, and bears testimony to the finance ministry's considerable skills in inventing new taxes and changing existing ones.

Mr Jackson's decision highlights a problem faced by a large number of foreign artists since the beginning of the year, when the government introduced the law.

Tax experts representing the music and entertainment industry have been pressing Bonn to soften the new rules. Mr Richard Rees-Pulley, of accountants Touche Ross based in London, even claimed the new tax was in breach of the Treaty of Rome. "The Germans are behaving unconstitutionally," he said.

"The music industry in this country feels that Germany is the toughest on this issue and the worse behaved of all." He said the new tax regime was rigid and unrealistic. The tax was raised on a nominal profit not the real one.

"This is not some wealthy musician whingeing. The likelihood is that less and less people will tour in Germany. It causes massive cash flow problems. For baby bands trying to break in, the profits are very slender. They could end up making a loss."

Under the new rules, Germany has not only increased the withholding tax on box office receipts, but has also prevented artists from offsetting production expenses against tax, allowing only a lump sum.

Since Michael Jackson's production costs vastly exceed the lump sum allowance provided for by the law, he would have ended up paying more in tax than his net take. Many foreign performers have complained that this provision effectively discriminates against foreign performers who have above-average production costs.

Separately, Germany has increased the withholding tax rate on box office receipts from 15 per cent to 25 per cent. On top of that, artists have to pay turnover tax and the unpopular solidarity surcharge tax.

The final tax bill on box office comes to between 29 per cent and 31 per cent. The government has hinted that it might be ready to compromise on the new law.

The move has so far failed to spark a public outcry, since most Germans are more upset about their own tax bill than Michael Jackson's. But the episode is the latest reminder of Germany's high tax rates. The car industry has recently cried foul after the government increased tax on luxury company cars, prompting a 20 per cent slump in sales.

EUROPEAN NEWS DIGEST

Russia expels Estonian envoy

Russia yesterday expelled an Estonian diplomat from Moscow for alleged spying, heightening tensions with its Baltic neighbour and starting another diplomatic row.

Russian officials said the move followed an Estonian request to withdraw one of their diplomats from Tallinn after allegedly indulging in activities "incompatible with their diplomatic status". "In other words, this can be described as retaliation," a Russian foreign ministry official said yesterday.

Earlier this week, the Russian authorities threatened to expel up to nine British diplomats following the arrest of an alleged informer. British embassy officials held further talks in Moscow yesterday to attempt to resolve the stand-off.

Neither side commented on the substance of the talks. But it appears likely the Foreign Ministry will soften calls from the FSB, Russia's counter-intelligence service, to expel up to nine diplomats. The FSB last month arrested a Russian national whom it alleged was passing classified information to British agents and accused nine embassy staff of spying.

Expressing a personal opinion, Mr Mart Helme, the Estonian ambassador in Moscow, said Russia's security service, the FSB, might be using the "Estonian card" to defuse the row with Britain. *John Thornhill, Moscow*

Economic gloom besets EU

Economic sentiment within the European Union showed little sign of improvement in April, with consumers still hampered by worries over jobs and the state of their economies, the European Commission said yesterday.

The Commission's monthly economic surveys, one of the most comprehensive barometers of public opinion within the EU, found a slight fall in sentiment in the industrial sector where a modest rise in France was offset by further weakness in Germany.

The Commission's preliminary figures for capacity utilisation in the EU showed a decline of one full point between January and April. There was also a worsening in employment expectations in the construction industry.

Consumers, meanwhile, continued to display a lack of confidence in the so-called "general economic situation" and offered a dim assessment of future employment prospects. The worsening in the jobs outlook was most noticeable in Germany, France and Greece. *Reuter, Brussels*

Italy's farmers in policy protest

Tens of thousands of farmers from north and central Italy gathered in Milan's cathedral square yesterday to protest against what they see as government indifference to the plight of agriculture.

The three main federations representing owners and workers said some 100,000 people took part in the march and rally, making it one of the biggest protests by farmers in recent times. Other demonstrations are planned for southern Italy and Rome.

The farmers called on the next government, which should be formed later this month, to institute a more concerned policy of agricultural development.

Yesterday's demonstration was also marked by deep concern about the UK scare over "mad cow" disease. Although the disease has not been detected in Italian cattle and the import of British beef products is blocked, the price and consumption of meat products have fallen.

Farmers claim the government should have fought harder in Brussels to win compensation for Italian meat producers. "Healthy cows, mad government," was the message on one placard. *Andrew Hill, Milan*

Rome trial opens on SS atrocity

The trial of former German Nazi SS captain Erich Priebke, pictured above being escorted into court, opened in Rome yesterday 52 years after one of the worst atrocities committed in Italy during the second world war.

Priebke, 82, is accused of taking part in the Ardeatine Caves massacre of 335 Italians in March 1944. He faces life imprisonment if convicted. Priebke's trial follows his extradition from Argentina last November. He is charged with participating with other soldiers in multiple murder aggravated by cruelty. He is expected to plead that he was only carrying out orders. The massacre was carried out in reprisal for an ambush by the Italian resistance in which 33 German soldiers were killed and 53 wounded.

At a preliminary hearing in April, Priebke blamed the Italian partisans who set off a bomb in Rome on March 23, 1944, as an SS troop detachment was passing. He said the order to retaliate had come from Hitler himself and if he had not obeyed he would have been killed. *Agencies, Rome*

Slovakia bank sell-off postponed

The privatisation of Slovakia's main banks, originally planned for the end of February this year, has been indefinitely postponed, Mr Vladimir Meciar, the prime minister, said yesterday. "The original concept had been clear until the end of February, but then we had to postpone some things and then we began a re-evaluation process," Mr Meciar said.

Last January Mr Meciar announced that Slovakia's largest banks Slovenska Sporitelna, VUB and IRB, as well as insurer Slovenska Poistovna, would be privatised by the end of February. But it had been held up due to negotiations on Slovak assets in the Czech Republic. *Reuter, Bratislava*

German current account surplus

Germany had a current account surplus of DM700m ($460.5m) in February, compared with a deficit of DM3.8bn in January and a deficit of DM2.3bn a year earlier, the Federal Statistics Office said.

Germany's trade surplus grew to DM8.8bn in February from DM5.2bn in the previous month and DM5.8bn in February 1995. In the two months to February, Germany had a current account deficit of DM3.1bn, narrower than a deficit of DM3.8bn a year earlier. Germany's trade surplus in the two-month period totalled DM14bn, narrower than DM14.5bn a year earlier. The balance of invisible trade in February showed a deficit of DM1.8bn, down from DM4.4bn in January and compared with DM2.4bn a year earlier. *AFX, Wiesbaden*

■ German industry was working on average at 81.9 per cent of its capacity in March, down from 84 per cent in December, according to the latest economic survey conducted by the leading Ifo economics institute. But new orders for German manufacturing industry rose 1.2 per cent in March, faster than expected, the Economics Ministry said. It was unclear whether the improved figures heralded stronger economic growth or were part of a one-off effect. *Michael Lindemann, Bonn*

■ Germany's M3 measure of money supply rose an annualised 12.3 per cent in March compared with the last quarter of 1995. In February M3 had risen 12.8 per cent.

NEWS: EUROPE

Italian party leaders end short truce

By Robert Graham in Rome

The rightwing alliance defeated in last month's general elections last night closed the door on a deal to share out some of the main institutional jobs in Italy with the winning centre-left alliance.

The decision followed two days of intense negotiations in advance of the formal opening today of Italy's 13th post-war parliament. The main post affected is that of speaker of the senate, offered to the rightwing alliance headed by former prime minister Silvio Berlusconi.

Failing last-minute negotiations to patch up a compromise, the conflict between the two alliance threatens to cast a cloud over the stability of a new legislature where the government will have a narrow majority.

It also makes it unlikely the opposition will be willing to back the harsh budgetary proposals necessary to bring Italy's public finances into line with the criteria of the Maastricht treaty.

In the wake of the April 21 elections, Mr Berlusconi and his colleagues indicated their willingness to establish a harmonious relationship with the governing Olive Tree coalition. But Mr Berlusconi came under attack from hardliners in his Forza Italia movement and from the rightwing National Alliance (AN), who argued they must behave as a tough opposition and cut no deals.

As a result Mr Berlusconi proposed over the weekend that Mr Francesco Cossiga, the former head of state, life senator and one-time senate leader be their candidate for senate speaker. Mr Cossiga is regarded with suspicion by the left for his controversial role as a former interior minister and while head of state. Thus Mr Cossiga's candidature put the Olive Tree on the spot and after very little discussion he was declared unacceptable.

But in rejecting Mr Cossiga, the centre-left placed themselves in the position of being seen to dictate the terms.

It also allowed the right, in the name of fair play, to voice their objections to the Olive Tree's candidate for speaker of the lower house – Mr Luciano Violante, a former magistrate linked to the Communist party, ex-head of the anti-mafia commission and deputy speaker in the last parliament.

Mr Violante, they claimed, was too political a figure, and indeed had been one of the principal persecutors of Mr Cossiga when head of state.

To get round these objections, the Olive Tree suggested that Mr Carlo Scognamiglio, appointed as senate speaker in 1994 by Mr Berlusconi and his allies, retain the job. But having publicly backed Mr Cossiga, last night Mr Berlusconi seemed unwilling to back down. This leaves the centre-left with little option but go ahead with their own appointments.

● Anti-mafia investigators in Sicily yesterday froze $640m of assets, including 130 two-family homes and 50 apartments, in a crackdown on suspected laundered drug wealth, AP reports from Palermo.

Other assets frozen included 12 offices, eight warehouses, land and 27 bankbooks, whose deposits were not immediately disclosed. Three people were arrested.

The Italian news agency Ansa said prosecutors suspected the wealth was acquired with laundered profits from drug trafficking and other illegal activities of the Cosa Nostra.

The agency said the authorities had been put on the trail of the alleged laundered money while investigating threats made against a prison chaplain in Termini Imerese, a Palermo suburb. The chaplain had wanted to establish a rehabilitation community for drug addicts in a residential area whose construction was allegedly linked to the Mafia.

German police get ready to confront anti-nuclear protesters as a shipment of nuclear waste arrives at the Gorleben plant AP

CLASHES AT GERMAN NUCLEAR STORAGE PLANT

By Wolfgang Münchau in Frankfurt

A 40-tonne shipment of French-processed nuclear waste arrived at the Gorleben nuclear storage plant in northern Germany yesterday amid some of the most violent anti-nuclear demonstrations ever witnessed in Germany.

Flanked by 15,000 policemen and armoured cars, the shipment was brought to a standstill by a series of clashes that left several demonstrators and police seriously injured. Protesters threw ball bearings at police and fired flare pistols, while police used batons and water canons. About 30 demonstrators were arrested.

The police lined country lanes near the medium-term storage depot in Gorleben, 75 miles east of Hanover, and used water cannon, teargas and clubs against protesters as the shipment, which had arrive by rail from France, covered the last 18km of its journey by road.

Police said the scene at Gorleben resembled a "civil war", adding that the situation was on the brink of threatening the internal security of the country. Politicians from all political parties joined to condemn the violence.

The demonstrations surrounding the shipment have reopened old disputes about Germany's nuclear policies and about policing. The shipment is the first of around 110 taking nuclear waste and fuel back to German reactors over the next eight years.

Senior members of the ruling coalition calling for a clampdown on violent demonstrations and accused the opposition Greens, a long-standing opponent of the government's nuclear policies, of supporting the violence and poisoning the political climate.

Ms Angela Merkel, the environment minister, said there was "no alternative" to the shipment, since Germany was bound to it by international law.

Mr Guido Westerwelle, general secretary of the Free Democrats, the junior coalition partner, said that police should take a tougher line against demonstrators. "Germany is not governed by the law of the jungle," he said.

The Greens condemned the transport as a "provocation" and described police action as "brutally excessive". Both the opposition Social Democrats and the Greens called for an end to the shipments and a phasing-out of nuclear power.

Turkish MPs set to embarrass ex-PM with new corruption claim

Çiller faces second probe

By John Barham in Ankara

Turkish MPs are expected to vote overwhelmingly today to set up a second parliamentary committee to investigate corruption allegations against Mrs Tansu Çiller, the former prime minister.

But MPs from her True Path party and the rival conservative Motherland party say the vote will not necessarily lead to the collapse of their fractious two-month-old coalition government, even though many Motherland MPs are again expected to vote against Mrs Çiller.

Mr Sedat Aloglu, a True Path MP, said Motherland MPs were playing "a dirty political game" to unseat Mrs Çiller to enable their leader, Mr Mesut Yilmaz, to take control of the centre right, currently divided between the two parties.

Mr Korkut Ozal, a senior Motherland MP, said: "I do not think there will be a government crisis soon. The Çiller issue will be accepted by about 300-350 votes, but her people will not resign from the government. They will make the calculation and conclude that it is better to continue."

True Path members agree, because Mrs Çiller is to take over as prime minister in January.

They also fear Motherland could form a coalition with the Islamist opposition Refah party or call early elections. Refah, which narrowly failed to clinch a coalition agreement with Motherland following last December's elections, is tabling a series of investigations hoping their findings will bring down the government.

Today's vote calls for a committee to investigate claims that Mrs Çiller illegally interfered in the privatisation of Tofas, a car maker.

Two weeks ago, MPs – including 29 Motherland members – voted 232-179 in favour of a Refah motion to form a committee to investigate accusations that Mrs Çiller intervened in tenders by the state-owned power company Tedas.

If parliament approves, a special committee will have up to four months to investigate Refah's claims.

Parliament would then vote on whether the committee's findings merited sending Mrs Çiller for trial before the high court. If it does, she could be prevented from taking over as prime minister in January, as required by True Path's power-sharing agreement with Motherland.

Commentators complain that strife in Ankara is preventing urgent action to tackle Turkey's deteriorating economy, with inflation running at 80 per cent a year and interest payments on the ballooning domestic debt taking up half the budget.

German MPs to debate shop hours reform

By Michael Lindemann in Bonn

Germany's lower house of parliament, the Bundestag, will today finally consider liberalising the country's shop opening hours, which have become a byword for the rigidities of Europe's largest economy.

Pressure for reform of shopping hours has been growing for years, and the current breakthrough is a symbol of the decline of post-war consensus politics in Germany where everything has been done in agreement with the trade unions.

It may also be symbolic of Chancellor Helmut Kohl's determination to force through more deregulation at a time when he faces almost unprecedented protests from a number of social lobbies.

The Ifo economics institute has said reform could create up to 50,000 jobs at a time of record unemployment. Nevertheless, Mr Kohl has had to impose his will on the majority of his party to get the law this far.

The government unveiled proposals last November, but delayed bringing them to parliament for fear of their impact on Mr Kohl's Christian Democrats in the March state elections.

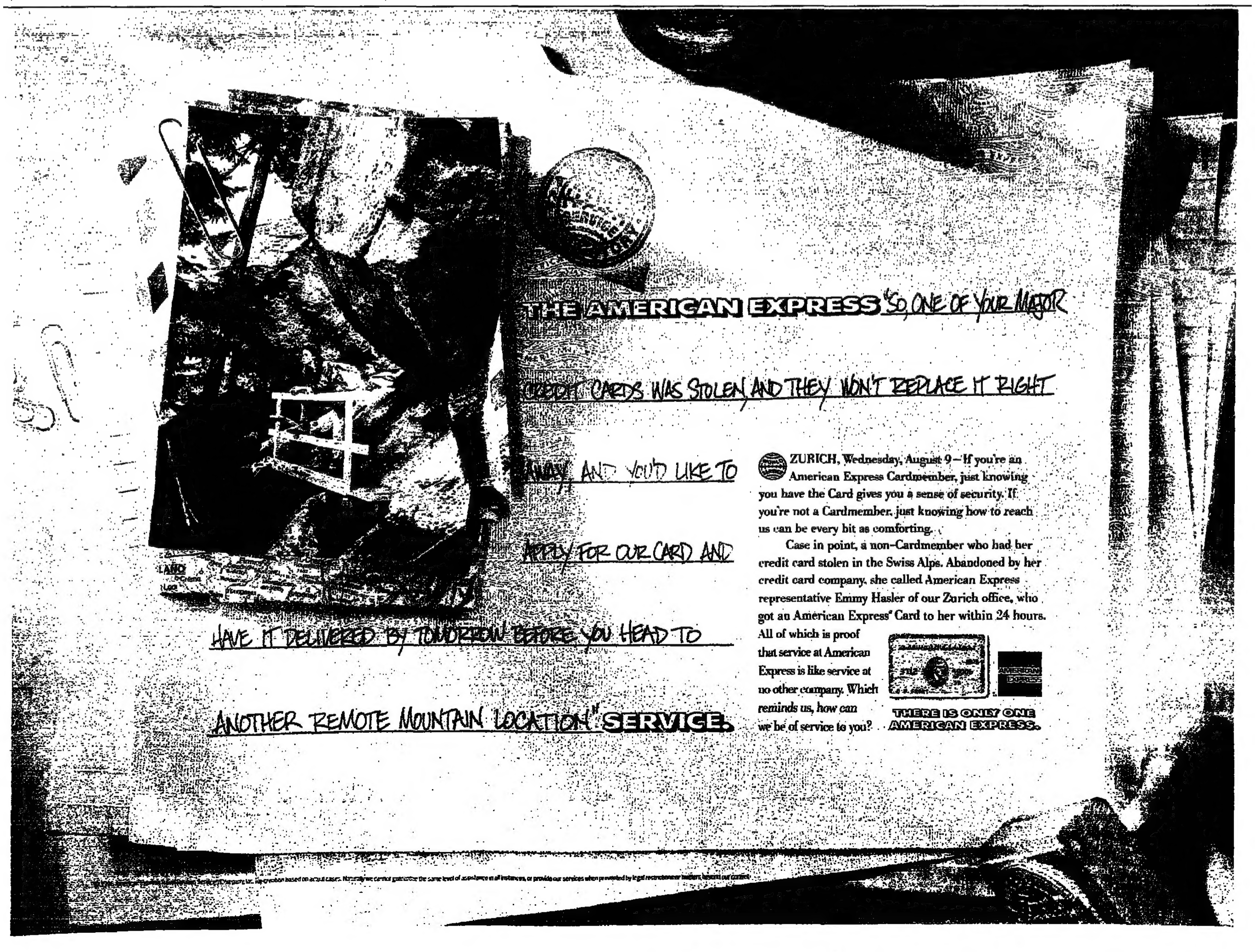
The Bundestag will today give a first reading to the legislation, which is expected to be passed before the summer recess in July.

The majority of the opposition Social Democrats, backed by the trade unions, oppose any liberalisation of shopping hours, arguing that many of corner shops will be unable to afford the extra staff needed to stay open longer. They believe any jobs created will be part-time and will not come with the full social benefits which the unions are fighting to maintain.

Recent polls indicate most Germans want to be able to shop longer and supermarkets insist that extended hours are needed to boost trade.

Leading politicians from the government last night appeared to have agreed a compromise which would allow shops to remain open, as planned, until 8pm on weekdays. It would allow the federal states to close shops anytime between 2pm and 4pm on Saturdays, not 6pm as proposed.

● Plans for deregulating mail delivery services were presented yesterday by Mr Wolfgang Boetsch, the post minister, Reuter reports. They would abolish the century-old post monopoly at the end of 2002 by gradually introducing competition from 1998.



Investors ponder BJP's election lead

By Mark Nicholson in New Delhi

India's 48-hour election results telethon, which began yesterday, was likely to be raising more questions than answers for the investors, foreign and domestic, who have relished the Congress government's four and a half years of economic reforms.

The future custodian of economic policy remained unclear as early voting trends emerged.

In 203 of 537 seats being counted, Congress led in 82, but faced the loss of 53 seats, the Hindu nationalist Bharatiya Janata party led in 44, a gain of seven, while the social justice Janata Dal was 18 seats ahead of its tally in 1991. Independents and regional parties were also showing gains.

Congress appeared set to win no more than 150 seats. The BJP seemed likely to become the biggest single party, though voting trends had not yet emerged from its northern heartland.

However, the final tally of seats, which will determine the shape of an apparently inevitable coalition government, may not be clear until tomorrow. But if the Bombay stock market is any barometer, investors appeared sanguine about the likely outcome. The benchmark BSE-30 index closed 56 points up at 3,769.

Brokers said the market rallied strongly from a 50-point dip on jitters caused by Tuesday's exit poll showing Congress heading for an historically poor performance. "Then when they thought about things," says Mr Pravin Shah, Morgan Stanley's head of research, "things did not look so bad."

The reflection was that should the BJP dominate parliament and somehow form a government this need not deter investors. "The BJP in India is regarded as a pro-industry, pro-trade party," says Mr Jyoti Jaypuria, Merrill Lynch analyst. "Foreigners may have some reservations, but these would likely be dispelled by a BJP in power."

The BJP portrays itself as India's original party of free trade and liberalisation; core supporters are urban, upper caste Hindus who have gained most from reforms. While its "economic nationalism" would stall opening of consumer goods industries to foreigners, it says it welcomes foreign capital into infrastructure and high technology sectors. BJP-led state governments have generally, after the hiccup of the off-on Enron power project in Maharashtra, striven to attract foreign investors.

Pundits, however, believe the BJP's religion-based appeal will deter the main secular parties and leave it short of a majority. A coalition embracing Congress, Janata Dal, ex-Congress factions and India's communists is deemed likelier.

India's markets and investors have expected some such alignment for months, and viewed the prospect benignly. Congress was the initiator of reforms, went the argument, while state JD and communist governments embraced them, becoming competitive courtiers of private investment.

But this optimism would dim if Congress performs as poorly as polls predict. A Congress with around 140 seats might not dominate any resulting coalition, and may win political partners only at the price of shedding Mr P V Narasimha Rao, prime minister – and, perhaps, Mr Manmohan Singh, his internationally admired finance minister. Moreover, a coalition where leftist and Janata Dal MPs outnumbered Congress could prove quarrelsome and indecisive.

A weak government depending on parties representing the poor and lower castes would resist subsidy cuts and dislike privatisation, might threaten India's already knife-edge fiscal discipline and perhaps undermine healthy corporate and economic fundamentals.

ASIA-PACIFIC NEWS DIGEST

Nissan recalls over 1m cars

Nissan Motor is to recall more than 1m cars to fix potentially dangerous defects, in an embarrassing loss of face for Japan's number two automotive group. Nissan said yesterday it had begun a recall of 1.05m cars in Japan to fix defective seat belts and battery wires, with a further 70,000 affected in the US. The recall is the largest in Japan since the transport ministry began a compulsory system in 1969.

The previous record was set by Toyota Motor in 1970, when it recalled 770,000 cars. Nissan's recall will cover 30 models in Japan, including the Cedric, Bluebird and Sunny, sold between October 1989 and March 1994, the ministry said.

A Nissan official said the US vehicles affected were its Infiniti model made in Japan between July 1992 and March 1994 and exported. The cost was estimated at more than Y6bn ($57m). *AFP, Tokyo*

HK acts on radio programmes

Hong Kong plans to scrap "unnecessary powers" to prohibit radio programmes as part of its review of broadcasting regulations, it said yesterday. The move, which follows a similar measure for television, was in line with a policy of securing freedom of expression. It comes amid increased focus on media freedom as Hong Kong prepares to return to Chinese sovereignty next year.

Under the proposal, to be submitted to Hong Kong's legislature later this month, an ordinance which empowers the Broadcasting Authority to bar radio broadcasts will be repealed. A provision allowing the territory's courts to prohibit certain programmes, on application by the chief secretary, will be retained. Such programmes are those that may incite hatred, result in a general breakdown of law and order, or damage public health or morals. *John Ridding, Hong Kong*

Australia casino bidding move

The Australian Senate yesterday launched an inquiry into the licence tendering process for the lucrative but controversial A$1.3bn (US$1.036bn) Melbourne casino. The inquiry follows allegations that Crown Casino, the winning bidder, had prior knowledge of other rival bids before submitting its own final offer. Among those who have maintained the tendering process was affected is ITT Sheraton, the US group, which lost out to Crown.

Crown, a Australian listed company, has denied any impropriety. The controversy has been fuelled by the fact that one of Crown's directors is a businessman with links with political figures. An internal treasury minute said to disclose information from the bids also suggested knowledge of the rival offers was circulating. *Nikki Tait, Sydney*

Pakistani bus bomb kills six

A bomb yesterday ripped through a bus in the Pakistani industrial town of Sheikhupura, near Lahore, killing at least six people and wounding 40. The blast intensified fears over public safety in the Punjab, Pakistan's most populous province, where nearly 50 have been killed and almost 100 wounded in explosions in the past month.

Premier Benazir Bhutto has accused India of involvement; the accusations have been denied. But analysts believe the bombings follow Islamabad's failure to find a solution to political troubles in Karachi. A security clampdown in Karachi is thought to have forced those involved in the attacks to move away from the area. *Farhan Bokhari, Lahore*

Japan's banks urged to act on loans scandal

By Gerard Baker in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yesterday called on Japan's banks to shoulder a greater burden of the costs of liquidating the country's bankrupt housing loan companies.

In the clearest sign yet that the government is planning a radical change to its plans to spend public money on the liquidation, Mr Hashimoto told a parliamentary committee hearing that the banks that founded the companies should pay more.

Mr Hashimoto said he hoped the banks that founded the companies would make decisions on the issue "on their own, taking account of the Diet (parliamentary) discussions".

In December the government announced its intention to contribute Y685bn ($6.5bn) towards the cost of the liquidation of the companies, known as *jusen*. But public hostility and a concerted campaign by the parliamentary opposition have come close to forcing the cabinet to drop the plan.

The finance ministry is understood to be drafting an alternative that would cut sharply the proportion of the Y6,300bn of total costs to be borne by the government in the liquidation and raise the burden on the founding banks.

Last month, government and opposition parties agreed a temporary truce in their battle over the issue, pending passage of the 1996 budget. The budget bill is expected to become law today and attention will then focus once again on how to settle the *jusen* problem before the end of the parliamentary session next month.

Emiko Terazono adds: Despite improving profitability of Japanese banks' core operations, Moody's, the US credit rating agency, has offered a pessimistic outlook on the recovery of the financial system.

The agency said many leading Japanese banks held risky assets not yet publicly reported as problem loans and they would not be able to overcome asset quality problems before the end of the century.

Investors and industry analysts have applauded the aggressive write-offs, but the agency believes credit risks of some banks remain, due to uncertainty over the future course of core profitability, hidden profits on equity holdings and potential bad loans.

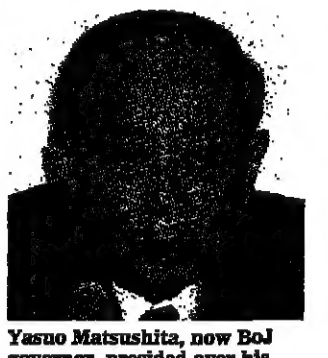
A cull of profits and presidents

Solemn rituals are under way in the boardrooms of Japan's leading banks. Like most rituals, the significance lies more in symbolism than in substance. And like all rituals, even that symbolism should probably not be taken too seriously by onlookers.

One by one, the world's biggest banks are getting rid of their presidents. On Tuesday Mitsui Trust, the country's third largest trust bank, became the latest to announce the early departure of its top executive, Mr Ken Fujii. The move brings to three the number of high-profile resignations, following similar moves in the last month at two other giants, Fuji Bank and Industrial Bank of Japan. The list is almost certain to grow.

The ostensible reason is a sudden desire on the part of banks' managements for a reshuffle of top personnel. Bank spokesmen claim these changes are long overdue. But the real, half-admitted explanation is the need banks feel to atone for their disastrous financial performance of the last few years. Loans made mostly during the years of the "bubble economy", the period of rapid land price rises in the late 1980s, have turned sour in the collapse of asset prices in the last five years.

Later this month the banks will reveal some of the costs of those mistakes when they publish annual results for the year to end-March. Between them the 21 leading banks are expected to report pre-tax losses of Y3,340bn ($31.8bn) after bad loan write-offs of Y2,500bn.



Yasuo Matsushita, now BoJ governor, presided over his commercial bank's part in the 'bubble economy'

Most of the departing bosses might have survived even that blow to their reputation, had it not been for political pressure. For some months loud demands have come from public and politicians for bankers to start paying the price of the bad loan fiasco. And quieter, more insistent, voices at the finance ministry have also been suggesting that such resignations might make sense.

There is a careful calculation in this. The government is trying to force on a hostile public and parliament a plan to spend Y685bn of taxpayers' money on liquidation of the housing loan companies. These companies were founded by the banks in the 1970s and are now virtually insolvent, with over two-thirds of their total lending of Y13,000bn officially acknowledged to be non-performing.

Since banks are held largely responsible for the mess, the public wants them to pay more towards the liquidation. In an attempt to deflect this hostility away from their proposals, finance ministry officials and politicians are advising bankers to fall on their swords.

In February Mr Wataru Kubo, finance minister, told bankers they should accept "responsibility" for the losses, a euphemism for resignation.

Though they may be walking the plank, the culprits are doing so in the knowledge that there is a comfortable life raft waiting for them at the end of it. All the departing presidents will go on immediately to another well remunerated job in the company – usually as either chairman or adviser.

By concentrating on the present heads of banks as those to be held responsible for the banking failures of the last few years, the bureaucrats and banks themselves have nabbed only half the culprits. Those who were actually in charge of banks when the problems arose are understandably thought to carry an even greater responsibility than the current bosses. But extending the purge might yield some victims the authorities will not be anxious to push too hard. Ex-commercial bankers can resurface in some embarrassingly elevated places in Japan.

Sakura Bank, for instance, one of the six largest commercial banks, is one plagued by bad loans. It was especially reckless in lending to the property sector in the late 1980s, including loans to the housing loan companies. Last year it wrote off about Y950bn in bad loans, the largest of any bank.

At the height of this speculative frenzy the president of what became Sakura Bank was a Mr Yasuo Matsushita, a former finance ministry official, who left the bank in 1994. Between 1987 and 1990, he presided over his bank's part in the rapid inflation of the "bubble economy". In 1990 he moved on to the chairmanship, retaining an influential role.

Mr Matsushita is now governor of the Bank of Japan, the highest ranking monetary policymaking official in the country. There have so far been few calls for him to follow the example of his successors.

Small wonder that at least one of the bank presidents forced out in the last month has been overheard muttering about the need for financial justice for all. He and others will watch to see where the frontiers of that justice lie.

Gerard Baker

Israel blasts 'absurd' UN report on Qana

By Julian Ozanne in Jerusalem

Israel yesterday blasted a United Nations report which questioned whether Israel's bombardment of a UN base in Lebanon last month, killing more than 100 civilians, was an accident.

In Washington Mr Ehud Barak, Israeli foreign minister, who reportedly exchanged tense words with Mr Boutros Boutros Ghali, UN secretary general, said the UN conclusions were "absurd".

Mr Barak's comments came after a senior UN military officer who wrote the report on the April 19 shelling of the UN base at Qana said it was unlikely Israel bombed the base through technical or procedural errors. Although the report stopped short of accusing Israel of deliberately shelling the UN post, it scorned Israel's explanation that it was the result of wrong labelling on a map.

In Jerusalem, Israeli officials said the UN investigation incident ignored evidence presented by Israel to support their claim that the event was a mistake. Mr Uri Dromi, government spokesman, said the UN had refused to consider footage of Israeli reconnaissance which showed that it was impossible to detect the 800 civilians who had taken shelter at the UN base from Israel's intensive bombardment of Lebanese villages.

Mr Dromi suggested the UN was covering for pro-Iranian guerrillas in Lebanon who had fired Katyusha rockets from a position close to the UN base. "Unfortunately, the UN chose to ignore that, maybe because the UN has tough questions to answer about how come... those Hizbollah terrorists felt so at home in the compound of the UN," he said.

The US, Israel's closest ally, has backed the country's version of events and accused the UN of making "unjustified conclusions".

But Israel's explanation of what Arab states have called "a massacre of innocents" has failed to convince the region's leaders.

On Tuesday Syria called for Israeli leaders to be put on trial as war criminals for what it termed the deliberate shelling of a safe haven for civilians fleeing Israel's blitz.

Syria has also attacked the US for supporting Israel and trying to suppress the UN report.

Yesterday Damascus also accused the US and Israel of obstructing the work of a committee assigned to monitor the ceasefire.

The 'Mecca of constitutions' leaves markets without faith, writes **Roger Matthews**

Rands and sentiment in the new S Africa

It was almost obligatory to be an African in South Africa yesterday. The cause was the adoption of a new constitution, achieved after two years of negotiations which concluded only hours before the final vote, as the minority parties predictably bowed to the immense political weight of the African National Congress.

Mr Thabo Mbeki, deputy president and heir apparent to Nelson Mandela, set the tone during the final speeches in the constitutional assembly. Eight times he declared he was an African. "I owe my being to the hills and the valleys, the mountains and the glades, the rivers, the deserts, the trees, the flowers, the seas and the ever-changing seasons that define the face of our native land," he said. "I know that none dare challenge me when I say – I am an African.

"The constitution whose adoption we celebrate constitutes an unequivocal statement that we refuse to accept that our Africanness shall be defined by our race, colour, gender or historical origins."

After that, everyone was an African, even if they were not very happy about the constitution they were about to adopt. "I am also an African," said Mr F W de Klerk, deputy president and leader of the National party, "and part of a modern, developed country that can compare with the best in the world".

But its new constitution was one dominated by the will of the majority party, and "rang the death knell of multi-party participation in decision making at executive level", he said.

Mr de Klerk said that while his party would vote for the constitution, because a No could irreparably damage the interests of the nation, it did so with serious reservations. In particular the National party was unhappy about the provisions for property rights, the failure to enshrine the right of employers to lock out strikers, and the absence of the death penalty.

He added that the federal council of his party would meet next week to consider its position, a statement seized on by the currency markets as a sign that he might withdraw from the government of national unity. The rand promptly dropped further against the dollar.

Mr Tony Leon's protestation that he, too, was an African, by birth and by choice, was greeted by derisive hoots from ANC members. The leader of the small Democratic party had fought more tenaciously than anyone to ensure that the workers' right to strike was balanced by the employers' right to shut its doors to striking employees. It was an issue he said he would pursue through the constitutional court. "This constitution gives the unions the right to make or break future governments," said Mr Leon.

General Constand Viljoen, former army commander and leader of the rightwing Freedom Front, said that, despite being an African, and seeing many positive aspects in the constitution, his party would abstain because there was too little protection for minority rights.

It was probably inevitable that the final speeches should reflect the tense last-minute negotiations that lasted into the early hours of yesterday. But, as Mr Cyril Ramaphosa, the chairman of the constitutional assembly said, it was "an immense achievement".

The 137-page document, declared Mr Ramaphosa, was the Mecca of constitutions and people would travel far to see how democracy had been enshrined in South Africa. Sceptics put it differently: "It is a Rolls Royce of a document welded on to the body of a Morris Minor."

At the centre of the constitution is a bill of rights which covers a vast range of topics from the right of a child to a name, to the right of everyone to education, housing, food, water and security. It covers political rights, freedom of expression, privacy, religion, environment, human dignity and freedom of association.

Elsewhere the constitution defines the relationship between central government and the provinces, the powers of parliament, the president and national executive, the courts, public administration, security services and the role of traditional tribal leaders.

To have achieved a consensus, albeit sometimes qualified, on such a range of issues was described by President Mandela as "our own humble contribution to democracy and the culture of human rights world wide: it is our pledge to humanity that nothing will steer us from this cause".

But giving economic substance to the fundamental rights to which the country yesterday became committed will be an altogether bigger challenge. Mr Ramaphosa, who will soon leave parliament to concentrate on a business career, said the new constitution was also good for investors and good for the rand.

Mr Trevor Manuel, the new finance minister, seemed to agree, judging by the enthusiasm with which he joined in the signing, dancing and rhythmic hand-clapping that greeted the final vote. However, by the time he returned to his office, the markets appeared to have been more influenced by words of Mr de Klerk than by the promises of the new constitution – yet another hard lesson for the optimistic citizens of Africa.

Editorial Comment, Page 15

Nigerian clean-up offered by Shell

By David Lascelles in London and Paul Adams in Lagos

Shell Nigeria has offered to clean up all oil spills in Ogoniland and re-start local development projects in the troubled Ogoni territory as a first step toward an agreement with local leaders which would allow its staff to return safely to the region.

Shell, the largest foreign oil company in Nigeria, closed its operations in Ogoni three years ago after threats to its staff and sabotage of facilities by sections of the Ogoni movement, Mosop, which accused Shell of polluting the environment.

Mr Brian Anderson, Shell Nigeria's managing director, said yesterday: "These proposals are offered in the spirit of reconciliation. All we need to start the process is the assurance of all Ogoni communities that our staff can work safely in Ogoniland."

This is Shell's most most public bid to end the deadlock with the Ogoni community.

Memories of dictators cast shadow over Uganda poll

Fear of a bloody past holds key to electoral success, writes **Michela Wrong**

Mr David Mukasa knows what it means to live in fear. Under former dictators Idi Amin and Milton Obote, his wife was beheaded by marauding soldiers, his estates destroyed and he was repeatedly tortured.

So when this elderly Bagandan, who now rears poultry on the shores of Lake Victoria, votes today in Uganda's first elections for 16 years, he will be opting for President Yoweri Museveni and the promise of "no change". He has heard that Dr Paul Ssemogerere, the opposition candidate, is planning to bring Mr Obote back. "The very idea sends shivers down my spine."

From his exile in Zambia, the 75-year-old Mr Obote has haunted this election campaign, a bogeyman used by the incumbent to convince voters not already persuaded by his 10-year record of political stability and economic progress.

In what many Ugandans regard as a cheap tactic, the president's team has sought to bolster its arguments against multi-partyism and undermine an alliance between Mr Ssemogerere's Democratic Party (DP) and the Uganda People's Congress (UPC) by suggesting it would not only bring Mr Obote, the UPC leader, back, but appoint him "political commissar" in a new government.

Directly at stake are the votes of 2.5m Baganda, more than a quarter of the electorate. They were worst hit by Mr Obote, who abolished the Buganda kingdom and later launched a terrifying crackdown on areas sheltering Mr Museveni's rebel army. Normally, Baganda support goes to the federalist DP. But Mr Ssemogerere's alliance with the UPC has split this crucial constituency down the middle, analysts say.

"Ssemogerere's popularity has been marred by this alliance," says Professor Apolo Nsibambi, a Baganda who teaches politics at Makerere University. "He is flirting with forces and making deals with people he cannot control."

The president can be accused of many things. His controversial "no-party" political system – which allows candidates to campaign only as individuals – has crippled the opposition. His all-embracing "movement" system, meant to transcend the tribal factionalism he blames for Uganda's woes, hides the dominance of an elite from the west of the country. He has neglected the underdeveloped north and failed to tackle a rebel movement terrorising that region.

But for millions of Ugandans, not just the Baganda, the Museveni decade has been a period of unprecedented stability, when for the first time they could build, farm, trade and plan the future.

"In the old days children didn't bother going to school, no one did business. You were always looking over your shoulder to see who was coming," says Mr Mukasa.

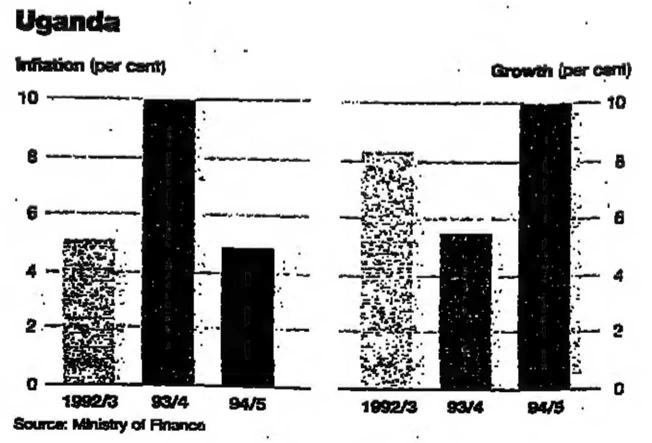
The figures bear this out. A once devastated economy is now enjoying the highest growth rate in Africa, with gross domestic product expected to rise by 8 per cent this year after growing by 10 per cent in 1995. Regarded as a model reformer by the World Bank and International Monetary Fund, Mr Museveni has lured a yearly $800m in aid to Uganda. Foreign investors are being drawn by a combination of low inflation, free exchange controls and a stable currency.

An opposition victory could jeopardise these achievements. Analysts see the UPC-DP alliance swiftly disintegrating amid wrangling over posts and issues. Most alarmingly, a question mark hangs over whether the army's western leadership would accept the results. A new era of uncertainty in Uganda, the linchpin in a region shaken by violence in Rwanda, Burundi and Zaire, would threaten the whole of East Africa. Foreign investment has already gone on hold during the election months.

Few believe this scenario will unfold. Although the protest vote has been growing and the 85 per cent walkover predicted by the presidential team looks unlikely, most observers expect a 60 per cent Museveni win. Parliamentary polls due in June are expected to give the opposition a stronger role in the running of the country and the democratic process now looks unstoppable with true multi-partyism inevitable. Should Mr Museveni, who insists his "movement" system has another 15 years of life, apply the brake, he will find foreign funds drying up.

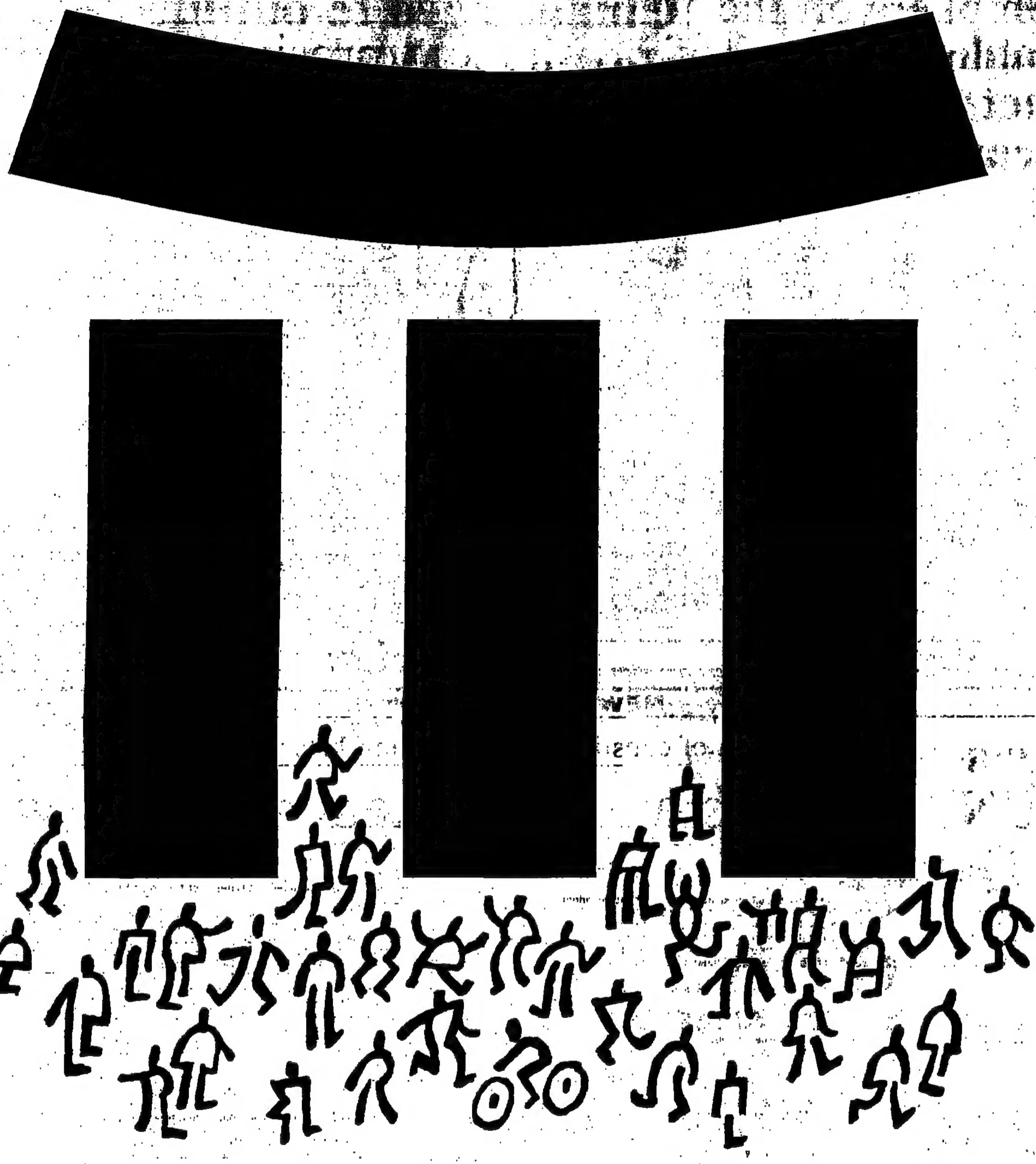
"Museveni will eventually have to make a decision on multi-partyism or donor support will gradually erode," says Mr Michael Southwick, US ambassador. "With that will go confidence and you don't get investment without confidence. They have to get on board."

Uganda



Source: Ministry of Finance

So who insures the insurance?



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These days, dozens of new employees from Asia are crossing the threshold at Swiss Re in Zurich.

They're with us to learn just what we do that separates us from our competitors, and why we've become one of the world leaders in our field. They then pack their share of our experience, know-how and resources and head back home.

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We used to have just four offices in the region. Today, it's ten and counting (Beijing has recently opened for business). Soon, there will be fourteen – as far as we know, no other reinsurer has that kind of presence.

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Swiss Re

Shell protests at Manila gas plan

By Edward Luce in Manila

Shell Philippines Exploration, joint controller of the Philippines' largest natural gas field, yesterday protested to the Manila government over plans to allow power producers to import liquefied natural gas.

The Anglo-Dutch company, which is in partnership with Occidental Philippines (Oxy) of the US to exploit the 12,000bn cubic metres Malampaya gas field off the Philippine coast, said Manila's decision undermined the country's drive towards self-reliance in energy.

The joint venture, which has agreed to supply LNG for 3,000MW of power a year over 20 years to the Philippine power sector, said the government had given power producers the green light to import LNG for 1,500MW a year.

"Importing LNG is not only inconsistent with the government's vision but will increase the Philippines' own dependence on fuel importers," said Mr Dre Boon, vice-president of Shell Exploration (world wide), yesterday. "This will deprive the government of substantial revenues which would be generated from its share of indigenous gas reserves."

First Gas Holdings, a joint venture between British Gas and a local group which received permission to supply its 900MW plant in the Philippines with LNG imports, said protracted negotiations between the Shell-Oxy group and the government had pushed the Malampaya project back 12 months.

The Philippine government, which is weening the local power sector off imported oil and coal on to indigenous power sources such as gas and geothermal energy, has said demand for gas will reach 4,800MW a year by 2002 – well in excess of Malampaya's capacity.

This is disputed by Shell and Oxy.

Vietnam puts telecom deals on hold

By Jeremy Grant in Hanoi

Four telecommunications contracts, amounting to about $1.4bn, have fallen foul of Vietnam's revenue forecasts and hesitancy among policy-makers over allowing foreigners into the sector.

The delay in the contracts, which were expected to be awarded last month, have led to extreme frustration at the four companies involved. "It's very disconcerting having to manage your expectations beyond these new dates," said one official.

Telstra of Australia, Cable and Wireless of Britain, NTT International of Japan and France Télécom have spent the last year negotiating with Vietnam Posts and Telecommunications (VNPT), the state telecoms monopoly, for contracts to install and operate land lines in Hanoi and Ho Chi Minh City. Mr Nguyen Ngo Hong, director of VNPT's information centre, said it was unlikely any contracts would be awarded soon.

The work is part of ambitious plans by Hanoi to provide five phone lines per 100 people by 2000, compared with one line per 100 people now. It would be the first significant investment by foreigners in Vietnamese telecoms.

The contracts under discussion involved C&W and NTT International sharing installation of about 400,000 lines in the capital, with Telstra and France Télécom splitting the job of installing 800,000 lines in Ho Chi Minh City.

The four would then operate the networks in conjunction with VNPT, sharing call revenue roughly equally over about 15 years.

But the negotiations have been dogged by doubts among some Vietnamese policy-makers about the wisdom of letting foreigners into a sector seen as important to national security. One direct result of this is that Hanoi does not allow foreign operators to sign equity joint ventures, insisting instead on a looser "business co-operation contract".

The companies say this formula is more risky to finance and have sought guarantees to compensate for any disruption to internal rates of return if revenue forecasts do not match actual revenue.

In particular, the foreign investors are thought to have rejected a business plan put forward by VNPT, which includes a revenue forecast based on current revenue per line, rather than on a sliding scale taking into account an increasing number of lines.

In addition, VNPT is understood to be keen to settle on a uniform rate of return for all four investors, despite the fact that the level of investment planned by each is different.

Officials at two of the four companies said some agreement was possible by the end of May but the issue could drag on beyond the Communist party congress, scheduled for the end of June.

Smokers on the midnight prowl in Bucharest

By Virginia Marsh, recently in Bucharest

New customs regulations to clamp down on smuggling are forcing Romanians, among Europe's heaviest smokers, to buy western cigarettes in the middle of the night.

In the last week, Marlboro and Kent, among the western brands with up to 30 per cent of the local market, have all but disappeared from the shops, during daytime at least.

This follows the arrests of several alleged ringleaders behind a huge cigarette, alcohol and coffee smuggling industry which the government says costs it billions of lei in lost revenues each year. Since May 1, the government has also required all cigarette packets to bear a stamp showing customs have been paid and is imposing fines of between 10m lei and 30m lei ($3,300-$9,900) on vendors who do not comply.

Tobacco is big business in Romania where an estimated 6m out of an adult population of 18m smoke.

Local brands are still produced by the state monopoly but have steadily lost market share to western rivals.

One of the people police have arrested recently is accused of smuggling 5.7bn cigarettes, about a fifth of the annual market of some 30bn cigarettes.

Industry analysts say import duties of up to 300 per cent are so high they encourage tax evasion and that the government would raise more revenues if it lowered its charges.

However, the biggest complaint yesterday was from shopkeepers and smokers who said an apparent shortage of the new customs stamps – pink for local brands, green for imports – had kept western cigarettes off the market.

"It took me two days to find a packet of Marlboro", a 22-year-old student said. "I finally found some at 1am; the man in the shop said he only sold untaxed cigarettes at night time, when there were fewer policemen around, and that he had been unable to get hold of cigarettes with stamps.

The measures have already led to sharp rises in cigarette prices which were previously among the lowest in Europe.

China urged to outline stance on WTO entry

By Tony Walker in Beijing

Sir Leon Brittan, the European trade commissioner, yesterday urged China to be more forthcoming in talks on its entry to the World Trade Organisation.

Sir Leon, who ended a four-day visit to China yesterday, called on Beijing to outline candidly where it stood on such issues as market access, tariff cuts and quota removal. "They need to go further and put it on the table, then let's see how we get on," he said.

Sir Leon pressed this point with Premier Li Peng in a meeting during which he argued it was in China's interests to "show flexibility".

Sir Leon had also made it clear that if China could satisfy European terms for entry, it was most unlikely to face a veto from the US. "They are seriously worried about a general political veto by the US (but) I said put us to the test."

EU officials are anxious to prevent talks stalling completely. They fear this would make it difficult to restore momentum in early 1997 after the US presidential election.

Beijing and its negotiating partners have virtually ruled out concluding WTO negotiations this year because the US administration in an election year could not be expected to make the compromises necessary to secure China's entry.

Li Peng: pressed for flexibility

But Sir Leon appeared to hold out an olive branch to China on terms for WTO entry. He said there was "very wide discretion for the WTO to allow transitional periods, which can be substantial."

China says as a developing country it should be given special consideration, including lengthy transitional arrangements. It has accused the US repeatedly of blocking its WTO ambitions.

Sir Leon also pressed China on the need to pursue vigorously accords to stamp out widespread counterfeiting of information and entertainment products, but the European approach was "more subtle" than that of the US, which has threatened sanctions.

The EU and China signed a protocol on Tuesday to strengthen co-operation in defence of intellectual property rights.

● Premier Li Peng said Beijing was considering buying more Airbus aircraft following China's order for 33 Airbus jets last month, Sir Leon Brittan told reporters.

"He told me there may be more purchases to come," said Sir Leon, who added that Mr Li had not said the additional orders would be at the expense of Boeing.

● The American Chamber of Commerce in Hong Kong yesterday said it would fight for unconditional extension by the US of China's Most Favoured Nation (MFN) trading status, Reuter adds from Hong Kong.

"America's relationship with China has become too important in strategic and economic terms to be threatened each year by a law written 20 years ago (during) the Cold War," the chamber said.

Hong Kong governor Chris Patten has been lobbying Washington to renew MFN.

WORLD TRADE NEWS DIGEST

Banana trade under scrutiny

The World Trade Organisation yesterday established an independent dispute panel to rule on the European Union's banana import regime. The five complainants – the US, Ecuador, Guatemala, Honduras and Mexico – say the EU quota scheme unfairly discriminates against Latin American banana producers in favour of former colonies and overseas territories in Africa, the Caribbean and the Pacific.

Two panels set up under the WTO's predecessor body, Gatt, found against the EU on bananas but their rulings were ignored by Brussels. Under stronger WTO procedures this will not be possible. However, the EU last year won a waiver from the WTO for its preferential trading arrangements with ACP countries. A number of ACP countries asked yesterday to join the panel, arguing that guaranteed access to the European banana market was essential for their economic survival.

Yesterday Brussels also rejected a US call for a panel on the EU's ban on hormone-treated beef. The EU must accept a panel at the second request, expected when the dispute settlement body meets on May 20. *Frances Williams, Geneva*

WTO shipping talks slow

Negotiations on international shipping in the World Trade Organisation are making little headway prior to the end-June deadline for an agreement. By yesterday, only 12 of the 42 participants, the EU counting as one, had put liberalisation offers on the table and they do not include the US.

The EU told yesterday's meeting of the maritime services negotiating group that it would continue to strive for a non-discriminatory WTO accord which would guarantee existing high levels of access to world shipping markets.

However, many countries doubt Washington's commitment to the talks, and this belief has been strengthened by the US refusal to endorse a WTO telecoms accord at the end of last month. US officials say other countries have not been sufficiently forthcoming to make a US maritime offer worthwhile. *Frances Williams*

GM plans Australia expansion

General Motors-Holden Automotive, the Australian subsidiary of General Motors in the US, is to invest a further A$1.4bn (US$1.1bn) in its Adelaide-based manufacturing facilities during the next five years, as it invests to produce a second car at the plant.

GMHA said yesterday that it planned to manufacture the Vectra model alongside the existing Holden Commodore, for sale both domestically and in southeast Asian markets. The second car production line is expected to create about 700 new jobs. *Nikki Tait, Sydney*

■ KHD Great Britain, the UK subsidiary of Klöckner Humboldt Deutz of Germany, has initialled the first private power project in Sri Lanka. KHD, as the lead sponsor, will erect a 51MW diesel power station expected to come into operation in 1997. The cost will be funded by debt and equity. *Foreign Staff*

■ Northern Telecom, Canada's biggest telecommunications equipment maker, will supply a complete digital cellular communications network for Chongqing, Sichuan province, China. The first phase will service 20,000 subscribers. The company did not reveal the value of the contract with China United Telcommunications. *Robert Gibbens, Montreal*

CONTRACTS & TENDERS

REPUBLIC OF COTE D'IVOIRE

PRIME MINISTER'S OFFICE

MINISTRY OF AGRICULTURE

PRIVATISATION COMMITTEE

PRIVATISATION OF
OIL PALM PLANTATIONS OF PALMINDUSTRIE

INTERNATIONAL
CALL FOR TENDER

The Government of Côte d'Ivoire, as part of its privatisation policy, announces the launch of an International Call for Tender for the privatisation of 5 groups of oil palm plantations ("E.A.I") extending over a total of **55,956 ha** and including **14 oil mills**. Each EAI will be sold separately through the same tender.

The EAI have the following characteristics:

EAI of South-West: 11,331 ha of plantations and 3 oil mills

EAI of Center-West: 12,618 ha of plantations and 2 oil mills

EAI of Center: 9,630 ha of plantation and 2 oil mills

EAI of Center-East: 7,669 ha of plantation and 3 oil mills

EAI of South-East: 14,861 ha of plantations and 4 oil mills

Each EAI is privatised together with the necessary equipment and facilities for its operations.

Prospective investors are invited to withdraw information memoranda concerning the five EAI and a general information memorandum from **Thursday May 2nd, 1996** at the following address:

COMMITTEE OF PRIVATISATION
6, Boulevard de l'Indénié
01 BP 1141 ABIDJAN - PLATEAU
Tél: (225) 22 22 31/22 22 32 Fax: (225) 22 22 35

The memoranda will be purchased for the respective amount of **F.CFA 250.000** for the general memorandum and **F.CFA 150.000** for each EAI information memorandum (**IFF = 100 F.CFA**).

The deadline for submission of bids is Monday, July 8th, 1996 before 18.00 GMT at the address hereabove.

PolyGram is biggest music group

By Alice Rawsthorn

A strong position in the fast growing Asian music market has given PolyGram a clear lead over rival record companies to become the world's largest music group, according to new research.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, commanded 17 per cent of the main international markets last year, research released today by Music & Copyright, a Financial Times newsletter, shows. This compares with 15.5 per cent for Sony Music, part of the Japanese electronics and entertainment group.

Global Market Share of Music Groups

Company	Parent	Share (%)
PolyGram	Philips	17.0
Sony	Sony	15.5
Warner	Time Warner	15.0
EMI	Thorn EMI	14.1
BMG	Bertelsmann	11.1

Source: Music & Copyright

Asia has become increasingly important to the $40bn music industry in the 1990s as the level of growth in the region has outstripped that in North America and western Europe.

In Asia, consumers tend to prefer local stars, such as Jacky Cheung in Hong Kong and Harlem Yu in Taiwan, proving multinational music groups need strong operations in the region. PolyGram has benefited from its businesses in Taiwan and South Korea, with 17 per cent and 9.9 per cent of sales respectively. In Japan, it commands a 13 per cent share.

Sony's international position has been strengthened by its market-leading Japanese operation, with a 17.6 per cent share. As a result, Sony has ousted Warner Music, the Time Warner subsidiary, from second place internationally. Warner, still number one in the $12.1bn US market, has a global share of 15 per cent.

EMI Music, part of Thorn EMI of the UK, is fourth with 14.1 per cent, buoyed by support in the UK, Germany and Japan. The fifth biggest group is BMG, a subsidiary of Bertelsmann, the German media group, with 11.1 per cent.

The trend for music sales to rise faster in Asia than in North America and western Europe is set to continue. The US is still the world's largest source of music sales, but its global share has shrunk from 50 per cent 10 years ago, to 30 per cent now, and could fall to 20 per cent by the year 2000.

See Lex, Page 16

'Ms Stonewall' lines up for US

Nancy Dunne on the tough negotiator waiting to talk for America

The US Trade Representative's spacious office has been empty since Mr Mickey Kantor moved to the Commerce Department last month.

Ms Charlene Barshefsky, deputy and next in the line of succession, remains in her own smaller office while the billing records of her 18 years at a prominent Washington law firm are inspected.

A provision inserted in a lobby reform law last year by Republic Senator Robert Dole bars anyone who has represented a foreign government in a trade dispute from holding the job. Ms Barshefsky apparently once advised the Canadian embassy in a softwood lumber case, but whether this will disqualify her has yet to be determined.

"I don't expect to have a problem," she said in an interview.

In the meantime, Ms Barshefsky has added Mr Kantor's responsibilities to her own, taking on, among others, the high-risk negotiations with China.

Ms Barshefsky, who would be the first career trade lawyer to hold the job of Trade Representative, is not a woman plagued by self-doubt. She relishes matching wits with the most wily of opponents and seems to enjoy creating order and policy from the thicket of competing domestic and international interests.

Mr Jeff Garten, former Commerce Department undersecretary of trade who worked with Ms Barshefsky for two years, describes her as "an extremely good negotiator, a good listener who understands all the technical, political, domestic and foreign policy ramifications in a negotiation."

Mr Jack Valenti, president of the Motion Picture Association of America, who went to China with her recently, attests to a persistence in her style. "There is an integrity of purpose about her. Mickey Kantor is more of a political animal, but in the implacability of their objectives and the relentless way they pursue them, I think they are cut from the same DNA."

Indeed, she was unyielding last week when refusing to sign up to a global telecommunications pact negotiated under the World Trade Organisation in Geneva, saying there was not enough in it for the US.

Charlene Barshefsky: in the thick of it

As one former US trade official explained it, the US is trying to build a durable multilateral system, not "a series of half-baked reforms which sow the seeds for discrimination in the system".

Ms Barshefsky's response to the subsequent blast of criticism coming from other countries' negotiators, in particular the EU, was to demand that the EU immediately come forward with an improved proposal of its own.

Ms Barshefsky makes no apologies in acknowledging that US support for the Most Favoured Nation principle, a basic tenet of the world trade system that trade partners should be treated equally, must be tempered by domestic political reality. "What you see is a country that in policy terms has made the decision that trade agreements must be reciprocal in character," she said.

"That doesn't necessarily mean mathematical equity but it does mean rough justice. And to the extent that MFN is to be retained – and I think it should be retained – then it is important that countries appreciate that the US expects to get value for what it gives.

"Ten or 20 years ago countries might have expected the US to give more than it got, but that is not the case any more."

Elections in the US this year have put a constraint on any US trade negotiations, particularly since trade has become deeply enmeshed in domestic party politics. "The opposition is laying in wait, hoping that the administration is being soft or inconsistent or giving something away," said one official. "It would be perfectly understandable for Charlene to tread carefully."

She is very conscious of antipathy to trade deals among US voters, but she believes in the importance of the global trading system to the future of US prosperity.

"We're a mature economy [and] our industries are the most productive in the world. [Without trade] where is that output going to go? ... But the public doesn't make those connections. That's the danger we have to be concerned about."

Ms Barshefsky's pragmatism is much in line with Mr Kantor's. He, however, has been roundly criticised for his insistence on tying labour rights to trade negotiations in the WTO, and this is blamed for his failure to win new negotiating authority for future trade deals.

"To the extent that the WTO refuses to look at the intersection of trade policy and core labour standards, you will see a cynicism develop among the public that these international institutions have aims antithetical to other important public policies," said Ms Barshefsky.

Ms Barshefsky's nomination presents a dilemma for Mr Dole, the presumptive Republican presidential candidate, who has been criticising President Bill Clinton for being weak on trade. It is Mr Dole's provision in the lobby law that could prevent appointment of trade representatives who do not require on-the-job training.

And it is the same provision which could prevent the appointment of a negotiator so respected for her defence of US interests that she was nicknamed "Stonewall" by her colleagues.

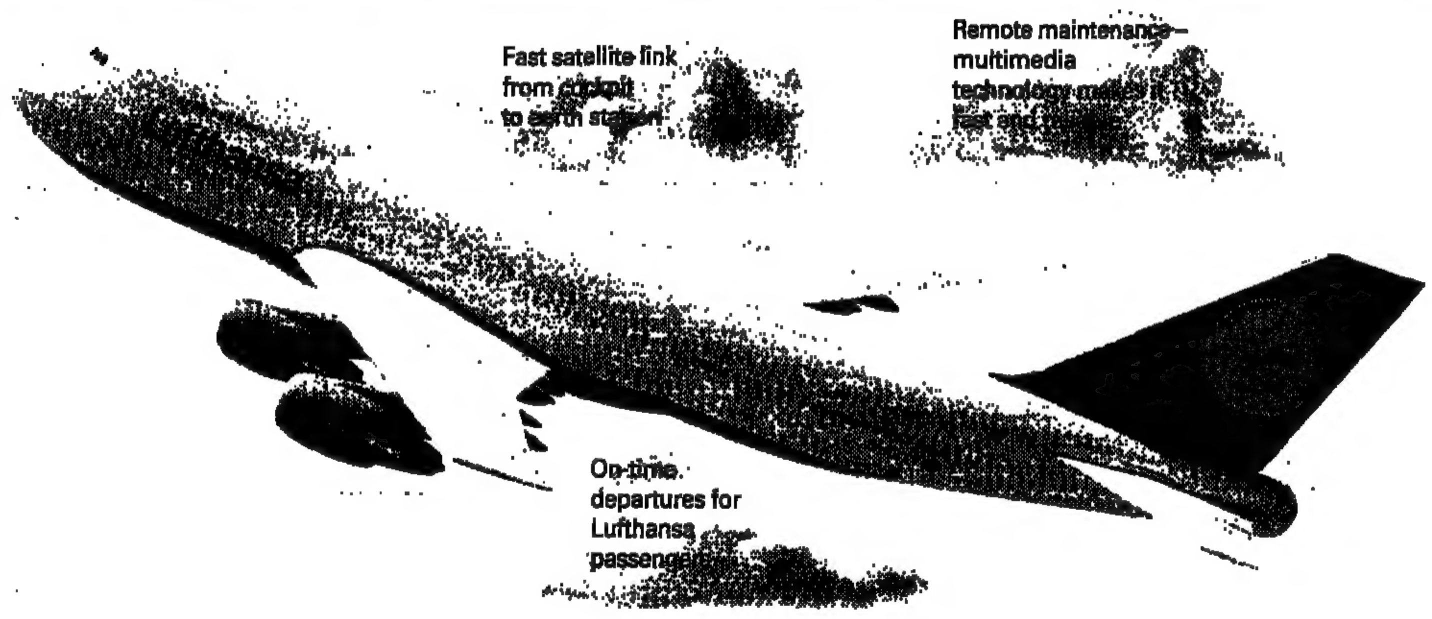
SIEMENS NIXDORF

INFORMATION TECHNOLOGY IT WORLD NEWS

Multimedia SPECIAL

Zurich: Multimedia puts a song in the music business.

Switzerland's Musik Hug AG has launched a multimedia information concept it calls "Giga Music Browser." Musik Hug AG contracted with Siemens Nixdorf to provide complete management of the project: from initial consulting all the way through to support and final implementation, including a LAN network.
Planning calls for networked multimedia stations to be used in Hug AG's retail outlets throughout Switzerland.
Founded in 1807, Hug AG, along with its subsidiaries Musica Nova AG and Musica Viva AG, is Switzerland's largest specialty retailer for musical instruments, sheet music, compact discs and accessories, generating annual sales of over Sfr 78 million.
All of the objectives behind the idea for the information kiosk system – customer care, promotions, publicity and an innovative image – were able to be achieved with the implementation of this multimedia concept. The system is operated from a 17-inch touch-screen monitor. Designed with Hug AG's image in mind, the individual user interfaces reflect a combination of heritage and vision. All of the functions are highly intuitive and do not require any computer literacy on the part of the user.



Newbridge, Siemens and Siemens Nixdorf – German-Canadian alliance for multimedia networks.

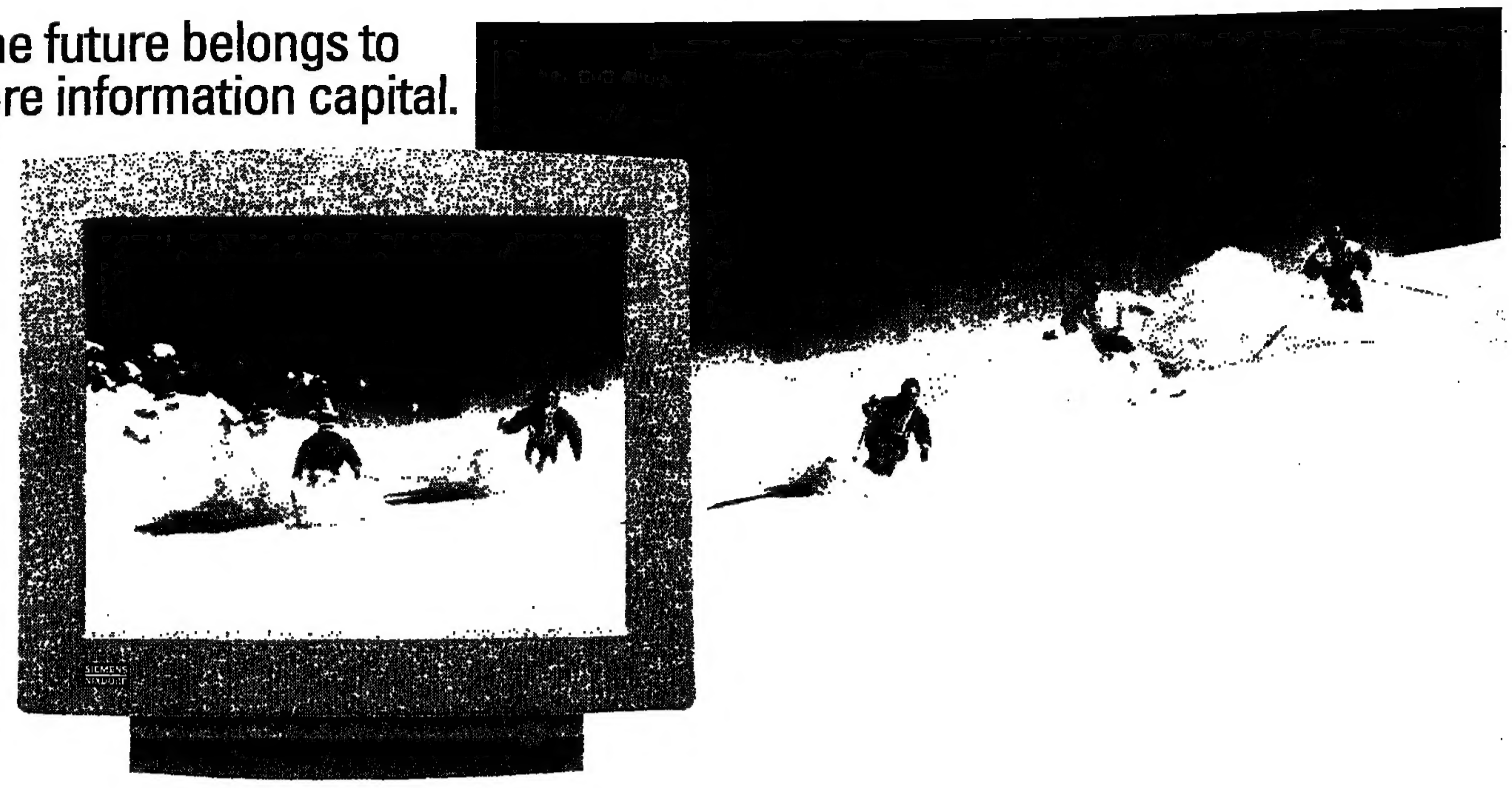
To keep up with the breathtaking pace of development in new communication options, there'll be no getting around ATM technology in the future. ATM stands for Asynchronous Transfer Mode. It's a high-speed wideband communication solution that's destined to serve as the platform for the information highways of the future.
What's so revolutionary about ATM is that it allows both real-time applications, like voice and video conferencing, as well as data transfer to be handled over the same network with the same switching technology.
Two of the leading network vendors in the industry have joined forces to form a long-term alliance in the field of ATM technology: Canada's Newbridge Networks Corp. and the Public Communication Networks Group at Germany's Siemens AG, which will bring Siemens Nixdorf IT expertise to the alliance. Under this partnership, the world's most comprehensive product portfolio for wideband communication networks – ranging from access technology and switching systems all the way to complete wideband telecommunication networks – is now taking shape. Customers will benefit from this partnering agreement by being able to single-source consistent, all-encompassing solutions: corporate and public networks from Siemens together with Newbridge and multimedia end-user systems from Siemens Nixdorf.

Frankfurt: Lufthansa German Airlines takes off with multimedia remote diagnostics.

A multimedia maintenance system is changing the face of aircraft maintenance at Lufthansa German Airlines: BISAM – as the project is called – stands for Broadband Integrated Services for Aircraft Maintenance.
Together with Lufthansa, the multimedia BISAM application is being tested by Sietec Systemtechnik and Lufthansa Systems under a contract from Deutsche Telekom's DeTeBerkom subsidiary in Berlin. This project is presently undergoing national field trials with 18 systems in various Lufthansa locations – initially shadowing conventional maintenance and repair operations. And international links to the United States and Japan are already on the drawing board. Sietec was responsible for the elements of systems integration and project customizing.
BISAM enables downtimes and maintenance costs to be reduced. Which assures on-time takeoffs and landings, as well as a competitive advantage for Lufthansa that underscores its capabilities. Because even though aircraft are maintained to high standards of engineering, too little technological support is being provided for conventional maintenance procedures. With BISAM, squawks can be reported while still airborne – either via automated monitoring systems or by the crew. Automatically encoded, they are transmitted to the BISAM database by satellite. This allows the maintenance technicians at the destination airport to prepare for the job effectively, even before the aircraft lands, to obtain the required parts, and to request assistance from any specialists who may be needed. To make the job even easier, BISAM also supplies the correct repair strategy along with each squawk. Plus the latest data, since each operation is stored and analyzed.
BISAM can even eliminate the need for on-site specialists: with the video conferencing module in BISAM, worldwide communications and conferences are possible from any work place. Multimedia remote diagnostics thus enable numerous squawks to be assessed and resolved in less time and at lower cost. Lufthansa's workstations also allow high-definition images of even hairline cracks or minute corrosion to be sent directly to the expert's screen via Deutsche Telekom's high-speed ATM networks.
A method that will considerably simplify aircraft maintenance in the future.

SIEMENS NIXDORF

Upper Austria: The future belongs to the bank with more information capital.



A multimedia pilot project is ringing in a new information age in Austria. Since the summer of 1995, the Raiffeisen Bank branch office in the town of Ort has been equipped with the prototype of an information service terminal that is turning this bank into the town's communications hub. An objective that will soon be reality in all of Austria's Raiffeisen financial institutions.

The electronic kiosk was developed jointly by Siemens Nixdorf Austria and systems house Programm- und Systementwicklung (PSE), a unit of Siemens Austria.

Thanks to its cutting-edge technology, operating the system is child's play. Touch one of the information points that are displayed on the screen and the wizardry of the "point of action terminal" serves up everything worth knowing: the local calendar of events, information about the town's groups and organizations, as well as current club happenings.

Or questions about local continuing education offerings, a look at current trainee vacancies or the labor service's job exchange. And, of course, the Ort Raiffeisen Bank provides audio and video information about its staff and its complete portfolio of products and services. If desired, the user can easily print out the information that has been presented on the screen. The service is offered free of charge and is available to every visitor to the bank, whether a customer or not.

In its concept and technology, the electronic kiosk is equipped for every need: CD-ROM drive, sound card, stereo speakers, 17-inch touchscreen and laser printer. And a microphone, camera or magnetic stripe card reader can also be attached.

Implemented by Siemens Nixdorf and Siemens AG, these information kiosks are paving the way for Austria's Raiffeisen banks to enter a multimedia future where the focus is on people.

Luxembourg: Gateway from Siemens Nixdorf opens Europe Online for the home banking world.

New and dependable channels are opening Europe Online for the world of home banking – with a gateway that comes from Siemens Nixdorf. Customers will soon be able to choose which network and which bank they would like to use for their home banking needs. Because all of the home banking solutions that formerly were restricted to the T-Online service can now be used via Europe Online. But there's much more to the story than that: with Europe Online, banks can design their home banking solutions to their own CI standards and incorporate the look and feel of WWW multimedia applications. And the interactive structure of the special Windows user interface makes the system especially easy to use.

The focal point of this new concept is the gateway from Siemens Nixdorf, which links the Europe Online system with the bank's external server: an RM600 running OnServe software from Siemens Nixdorf.

With the gateway from Siemens Nixdorf, this Luxembourg service provider now opens the gates to a multimedia future for home banking.

Barcelona: Classrooms go multimedia.

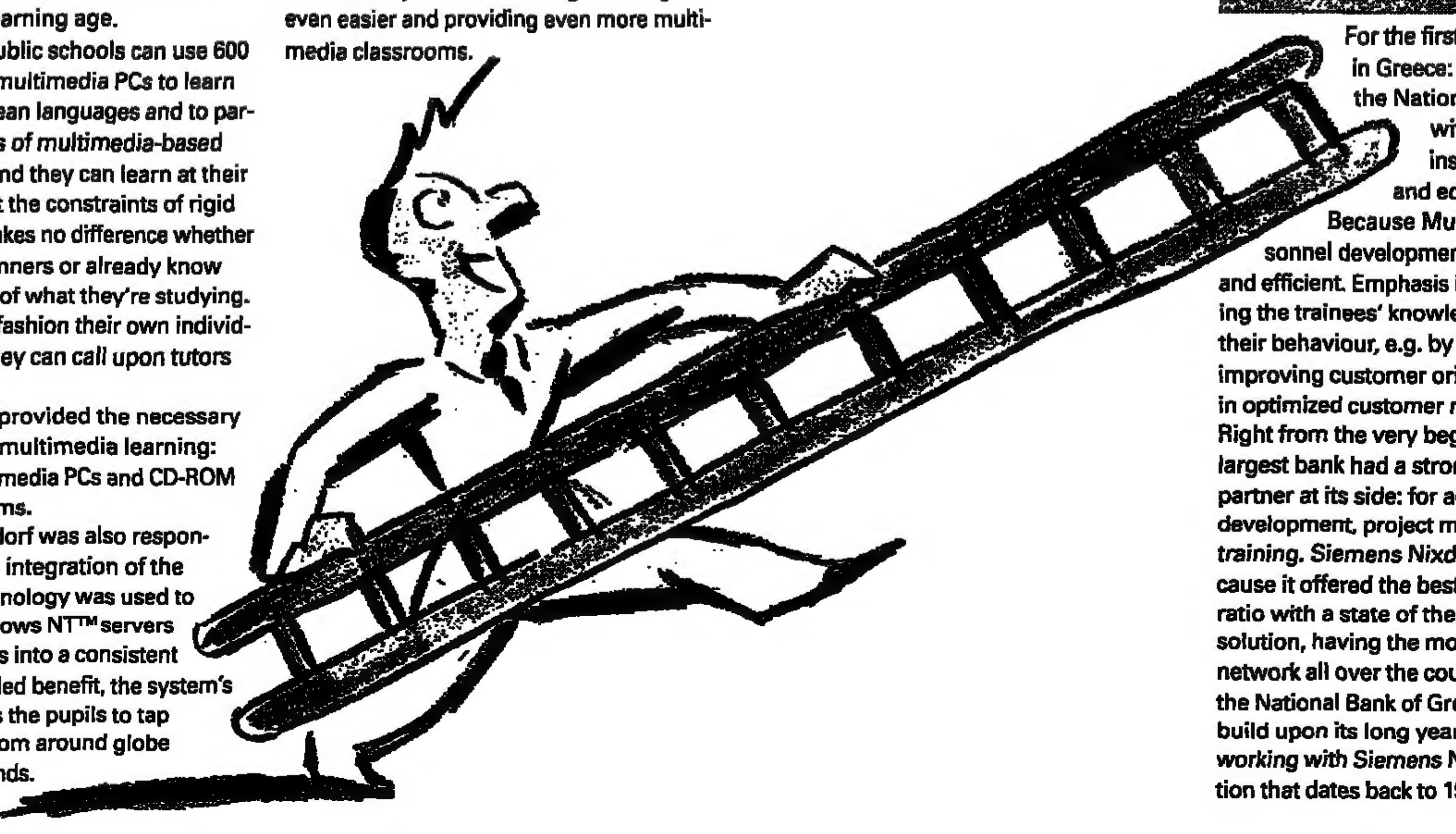
With its PIE (Programa de Informática Educativa) initiative, the Catalan government's Ministry of Education has now entered the multimedia learning age.

Today, pupils at public schools can use 600 Siemens Nixdorf multimedia PCs to learn a variety of European languages and to participate in all kinds of multimedia-based special courses. And they can learn at their own pace, without the constraints of rigid course hours. It makes no difference whether the users are beginners or already know the fundamentals of what they're studying. Because they can fashion their own individual curricula, or they can call upon tutors for advice.

Siemens Nixdorf provided the necessary infrastructure for multimedia learning: with SCENIC multimedia PCs and CD-ROM self-study programs.

And Siemens Nixdorf was also responsible for complete integration of the systems. LAN technology was used to integrate the Windows NT™ servers and UNIX® systems into a consistent network. As an added benefit, the system's Internet link allows the pupils to tap into information from around globe in a matter of seconds.

Because of the resounding success of the PIE project, the Ministry of Education intends to extend the multimedia network with the objective of making learning even easier and providing even more multimedia classrooms.



Athens: National Bank of Greece offers its staff multimedia career path support.

For the first time implemented in Greece: Multibank provides the National Bank of Greece with an innovative instrument for training and educating its staff.

Because Multibank makes personnel development cost-effective, fast and efficient. Emphasis is placed on enriching the trainees' knowledge and improving their behaviour, e.g. by facilitating and improving customer orientation resulting in optimized customer relationships.

Right from the very beginning, Greece's largest bank had a strong and competent partner at its side: for advice, multimedia development, project management and training. Siemens Nixdorf got the nod because it offered the best price/performance ratio with a state of the art innovative solution, having the most available service network all over the country. What's more, the National Bank of Greece was able to build upon its long years of experience in working with Siemens Nixdorf, an association that dates back to 1968.

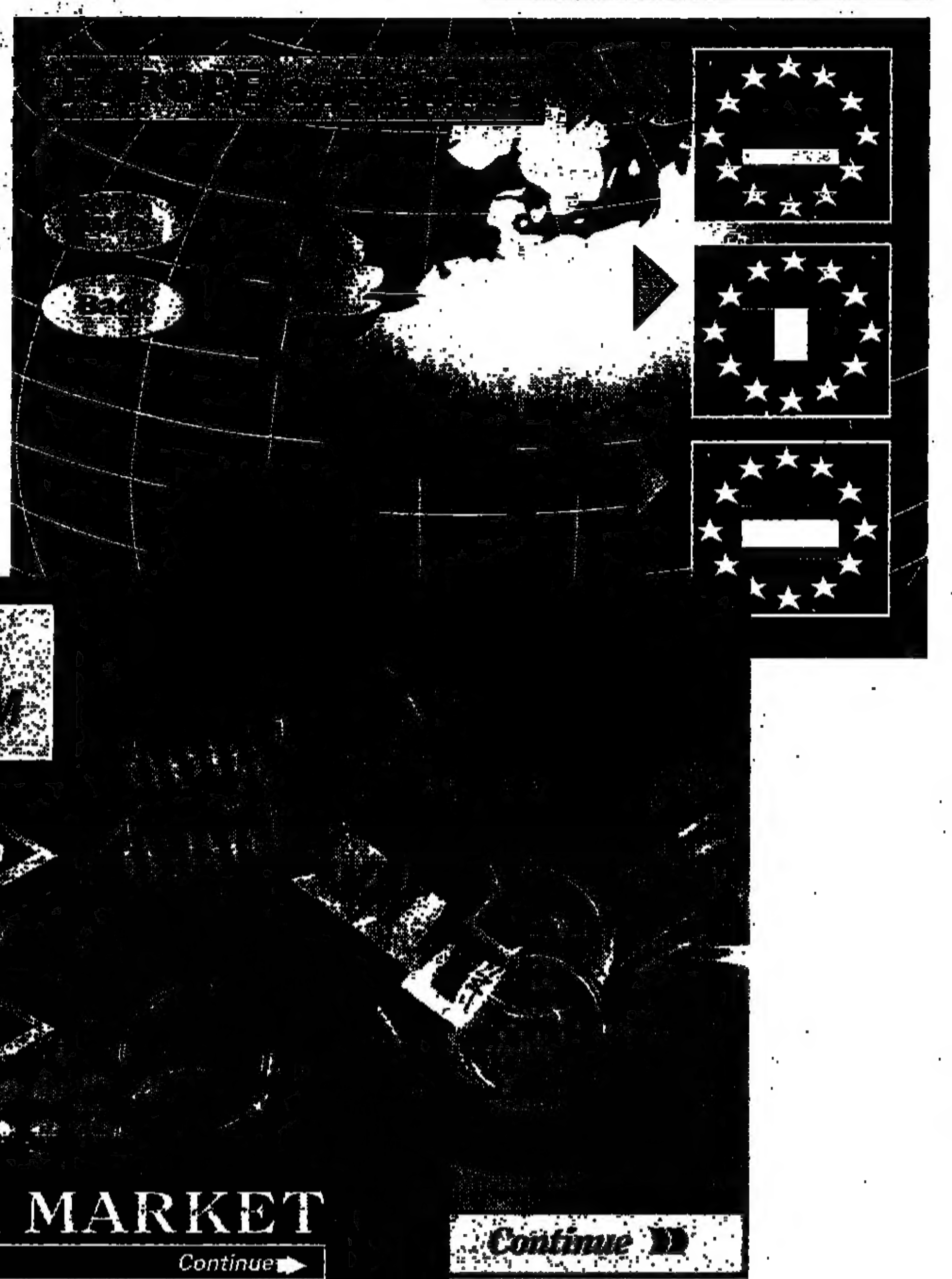
Multibank offers a broad range of training and educational offerings for the bank's more than 15,000 employees: fundamentals of marketing, market research, new banking products, marketing strategies, selling and customer interaction techniques, fundamentals of accounting and much more. Based on multimedia PCs, peripherals and network, all from Siemens Nixdorf – Multibank helps the staff at the National Bank of Greece travel faster along their career paths.

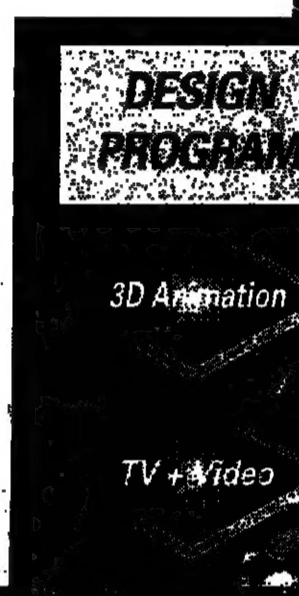
Frankfurt: Starting shot fired for multimedia electronic banking at Deutsche Bank.

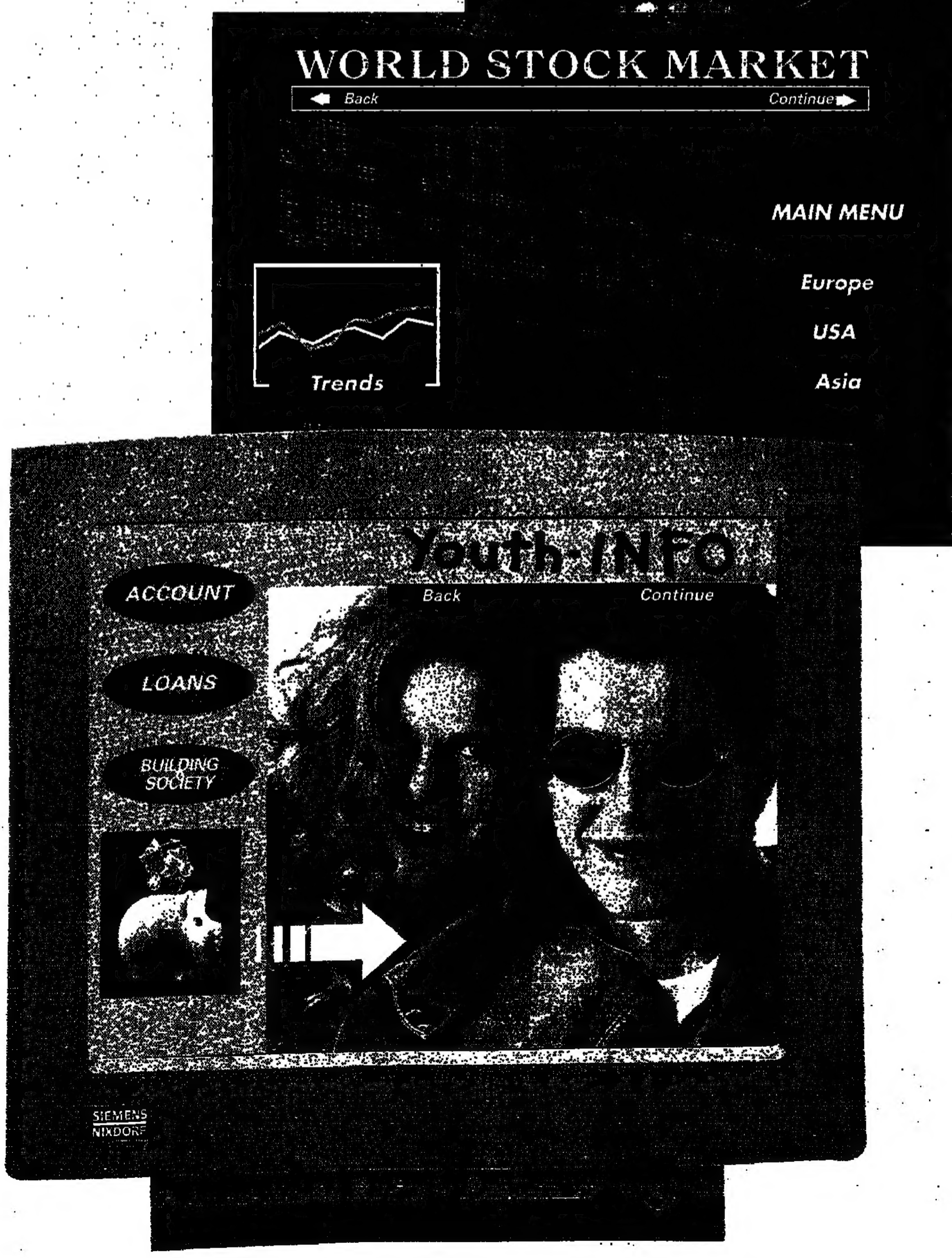
With the development of the next generation of db-dialog, Deutsche Bank is opening up new opportunities for its customers: a user-friendly electronic banking program is assuring that all of the customer's typical banking needs can be handled easily and around the clock from a personal computer. The MS Windows application has a new and attractively styled user interface.

Deutsche Bank and Siemens Nixdorf joined forces to develop the multimedia electronic banking idea into a viable product. Deutsche Bank customers will soon be able to benefit from it. With db-dialog, Deutsche Bank now has a high quality software product that saves customers time and money, while assuring competitive advantages for Deutsche Bank. Siemens Nixdorf is playing a major role in making Deutsche Bank's electronic banking offerings more comprehensive and attractive.

To make a virtual visit to a Deutsche Bank branch office, all the customer needs – in addition to a personal computer – is a modem and a T-Online ID. If the PC is additionally equipped with a sound card, electronic banking becomes a true experience. The basic functions, like electronic funds transfers or balance and transaction inquiries, are implemented on a multibank basis, i.e. they can be used for virtually all banks with online capabilities. A special service that Deutsche Bank provides to its customers allows them to display their securities custody accounts complete with current price information. In addition, it is also possible to query the prices of leading equities that are traded in Germany, the United States and Japan. And, as an extra service, this attractive multimedia application also enables customers to place direct orders, i.e. to buy or sell securities.







Siemens Nixdorf is helping to build the European multimedia house.

MATES, a project being sponsored by the European Community, is a major factor in designing and employing multimedia technology in the engineering sector.

The objective of MATES – Multimedia Assisted distributed TeleEngineering Services – is to create a distributed work environment conducive to the efficient implementation of development and knowledge-intensive projects, in particular, regardless of where the participants are located. A further aim is to establish telecooperation centers throughout Europe incorporating new communication channels like the Internet for providing consulting services and allowing know-how to be transferred.

Involved in the project are partners from France, the Netherlands, Spain, Sweden and Germany; the partners are handling tasks that are related to their specific interests: user organizations, application and technology vendors, systems integrators and service providers.

As a technology vendor, Siemens Nixdorf is participating with its Cadlab research laboratory. At the same time, Cadlab is also responsible for project coordination.

Siemens Nixdorf subsidiary Sietec, whose activities focus on project business, has assumed responsibility for systems integration. The long-term focus of utilizing the findings from this project to help develop a more effective labor market is turning MATES into one of Europe's leading projects. All the more so since a study by the Gartner Group forecasts that over 80 % of all organizations will be employing half of their workforce on a telework basis by the beginning of the next millennium. This is a development that hinges upon the availability of leading-edge information systems like those for document and video conferencing.

Munich: The creative connection between the computer and Bavaria Film.

When two specialists join forces to combine their know-how in a project, there can be little doubt about the outcome: with M-BRAIN, Bavaria Interactiv, a subsidiary of Bavaria Film GmbH, and Siemens Nixdorf have launched a multimedia project that is getting things moving in the field of commercial sales promotion.

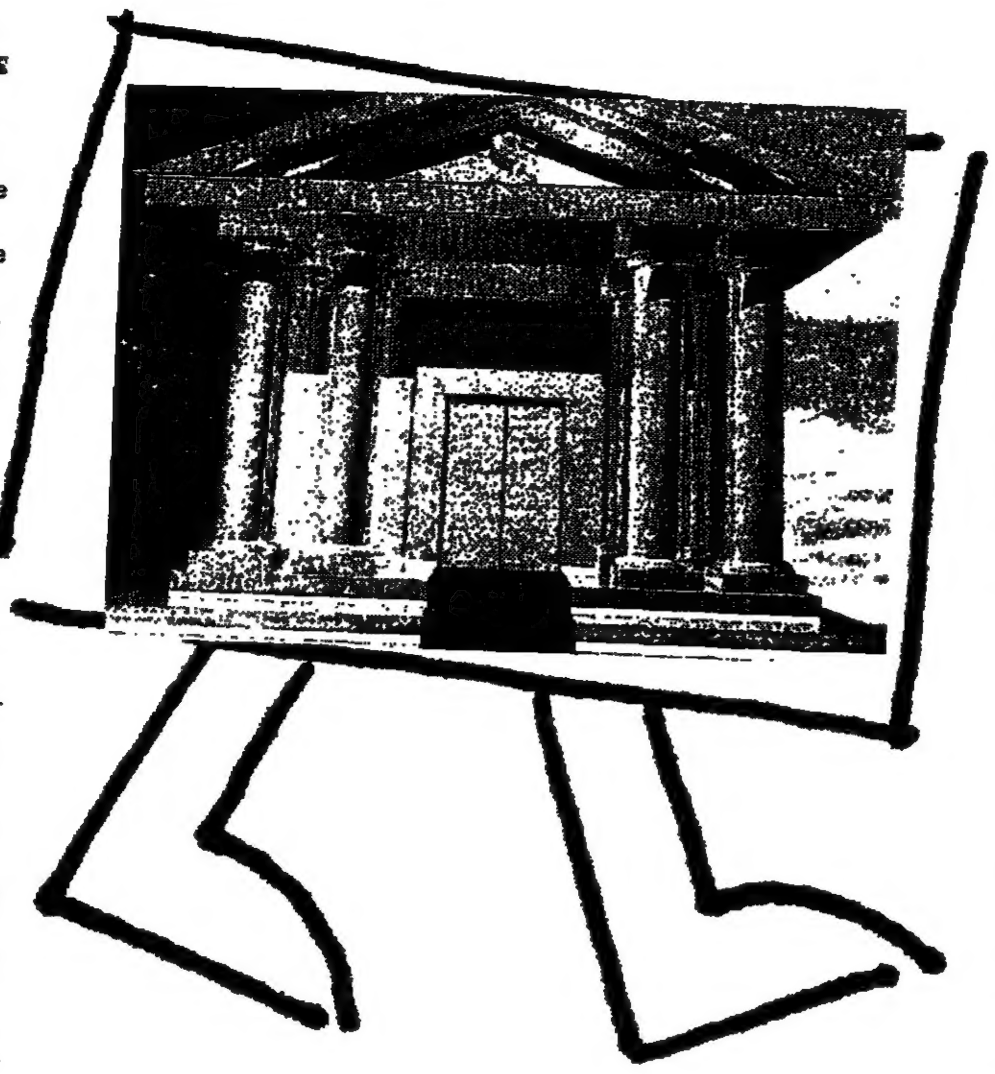
As Germany's most important TV and film studio, with headquarters in Munich and branches in Berlin, Hamburg, Cologne and Dresden, as well as operations in Hollywood, Paris, Rome and London, Bavaria Film GmbH produces some 20,000 minutes of TV programming each year. Responding to the growing interest in television, Bavaria broadened the focus of its activities: from traditional film-making to services for television companies and advertising agencies. Co-productions with private-sector television companies, design and graphics studios and advertising agencies involve a need for exchanging multimedia information among each other, and then supplementing this information and passing it on – quickly and without any loss of quality.

The M-BRAIN project offers the concept and solutions for these activities, as well as solutions for interactive television at the point of sale. A ten-step program accompanies commercial customers as they travel the road from silent sales clerks to multimedia sales terminals: the program ranges from development of the communication strategy on the basis of a customer-specific market analysis and creation of the idea and the storyboard concept all the way to custom-tailored program development and a user-friendly navigation approach created with the aid of a special development principle.

The program also includes the screen design process – with sophisticated 3D animation if desired – that is matched to the customer's specific corporate identity needs, as well as the actual film production activities, with the customer being able to draw upon all of Bavaria Film's studio resources. Plus integration and meaningful interlinking of all of the media employed, as well as complete networking. Bavaria provides the customer with the needed infrastructure, i.e. personal computers, media servers, networks and operating systems. These components come from Siemens Nixdorf. A team of specialists from Siemens Nixdorf and Bavaria Film is right there with sound advice and hands-on assistance throughout the entire creation phase and beyond.

SIEMENS
NIXDORF

Brussels: If the customer won't go to the bank, the bank goes to the customer.

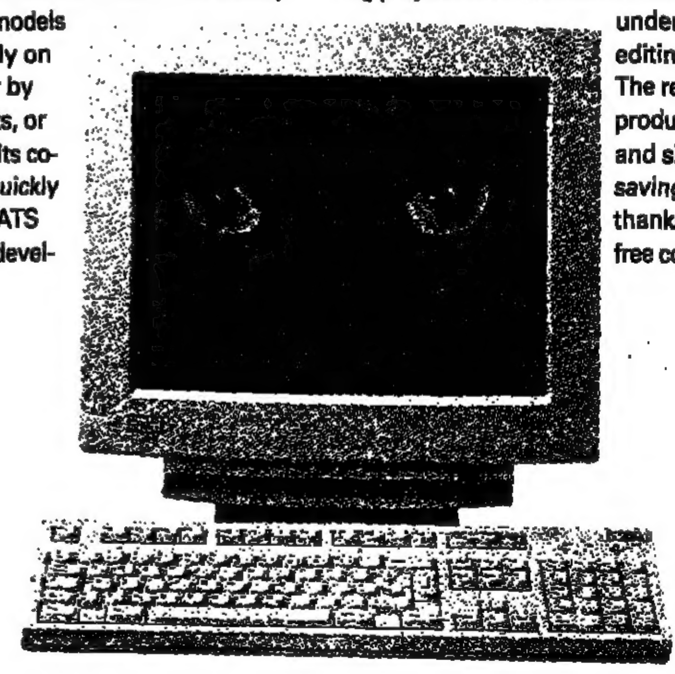


Three Belgian banks, Belgolaise, Crédit à l'Industrie and Crédit Agricole, are a nose ahead in the race to provide better customer care. The reason: DIVINA – Data Image Voice INteractive Applications – an all-encompassing solution for speeding up the development of interactive services that are directly available from any telephone, 24 hours a day.
Bank customers who utilize this new telephone banking service can now use the telephone to quickly and easily handle everything that used to require a trip to the bank's branch office: to query their account balances, get overviews of recent account transactions or transfer funds. Or to obtain information about the bank's current product offerings or make changes to their personal data. DIVINA was implemented by Siemens Nixdorf's Belgian subsidiary IN2. Modularly structured, it can be fully tailored to the needs of the individual financial institution.
The idea behind DIVINA is as simple as it is effective: telephones are everywhere. Regardless of the time of day or location, a phone can be used – like a computer – to transmit signals that are then transformed into data. The engineering platform consists of an interactive voice server, a computer system equipped with voice communication cards that is able to transform digital data into verbal information or vice versa. Connected to the telephone system, this server can also be linked with other DP systems in the institution for data interchange.
Since the implementation of the DIVINA concept, customers at Bank Belgolaise can handle their banking needs in three different languages – simply by using a telephone.

From initial consulting services all the way through to installation and support, the Siemens Nixdorf subsidiary is responsible for the entire service. As well as for the matching hardware: a PC running under UNIX is installed as the voice. Which makes light work of banking business for Bank Belgolaise's customers. And not just in Belgium, but also in Africa and any country, where Bank Belgolaise also does business.
The bank "Crédit à l'Industrie" was one of the first to introduce its new customer-focused communication concept: it launched its DIVINA-based telebanking project back in June 1992. Serving as the general contractor for the project, the Belgian Siemens Nixdorf subsidiary assured that the bank's staff of more than 1,000 people and the thousands of customers were ready for the new information technology when it was introduced. IN2 developed the required applications and assured their smooth integration into the existing architecture.
Another example of IN2's competence: introduction of a telephone banking system that was specially tailored to the needs of customers at the Bank Crédit Agricole. DIVINA served as the platform for this new service, which was implemented with methods and tools from IN2. Since its introduction in July 1994, the project – which the bank calls "Dynaphone" – has been receiving nothing but high marks from both staff and customers.

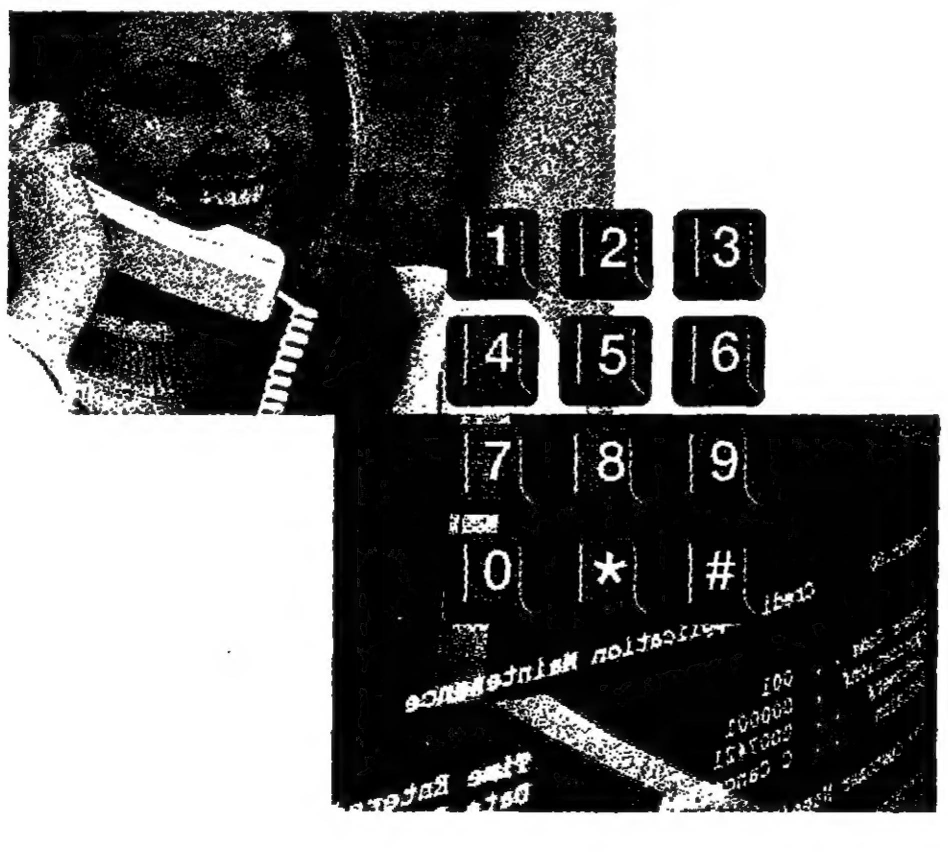
Bonn: With CATS, a conference is never more than a cat's whisker away.

A project called CATS – Computer Assisted Telecooperation Service – that is being conducted by Deutsche Telekom and Siemens Nixdorf subsidiary Sietec – which is playing a major role in the development – is the multimedia response to management's need for cost savings and flexible utilization of existing resources. Organizations that are following the trend away from large centralized production and administration locations and toward smaller business units are faced with a problem: inter-locational communication. Because urgent questions usually have to be clarified immediately, graphics and models handled jointly on the computer by several experts, or the latest results coordinated as quickly as possible. CATS was specially developed as a telecooperation service for manufacturers and engineering offices. It utilizes ISDN to conduct audio, video and data conferences. Plus intelligent management and application software. The solution was implemented with the Joint X conferencing software developed by Sietec.
Deutsche Telekom succeeded in winning prominent participants like BMW, Benteler and the Berlin Construction Academy as pilot partners for CATS.
For the user, working with CATS is as simple as making a phone call: two or more work places are interconnected via ISDN, allowing projects to be worked on simultaneously under the joint editing method. The result: lower production cost and significant savings in time – thanks to travel-free conferences.



Brussels: JOSI brings insurance by phone.

With the implementation of the DIVINA project, a new era has dawned at Belgian insurer JOSI: Siemens Nixdorf's Belgian subsidiary IN2 provided full support in introducing its DIVINA development, from initial consulting all the way through to final implementation. IN2 used modules that were specially designed for the needs of the insurance industry to integrate DIVINA into JOSI's existing environment. The voice server, a PC running under UNIX, utilizes the insurance company's BS2000 mainframe for information interchange. This innovative voice server makes it as easy as can be for independent agents to communicate with the insurance company: using a telephone, and no additional equipment, it is possible for them to obtain rate calculations in a real-time link.



Siemens Nixdorf – Your multimedia partner for forward-looking solutions.

It's on everyone's lips: multimedia. No other form of information technology bears so much similarity to natural communication. Which also explains its enormous fascination and the public's willingness to participate in new forms of information interchange. In the form of either standard applications or custom solutions for retailing, manufacturing, banking, insurance and government. The more sophisticated these new multimedia applications and service offerings become, the more important it is to have a solutions provider whose know-how ranges from the initial concept to ultimate implementation. And the hardware, software and communication networks on which they run have to be all the more versatile.
Accept the multimedia challenge – with Siemens Nixdorf as a capable partner for all services, products and solutions. With powerful hardware like the SCENIC multimedia PC, POS systems and RM Series UNIX servers. With new data storage and compression technologies, and with networks that assure fast information transfer.
Take advantage of electronic commerce to gain competitive advantages through more service around the clock or straightforward financial transactions.
Use forward-looking distance learning offerings, like CBT on demand and teletutoring, to provide effective and cost-saving training for your staff. Regardless of your individual needs – put us to the challenge. Siemens Nixdorf is your partner with comprehensive competence in the field of information technology.

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Clinton challenge on legislation gridlock

By Jurek Martin, US Editor, in Washington

President Bill Clinton yesterday threw down the gauntlet to the Republican majority in the US Congress by challenging it to pass the necessary legislation without "poison pills" that would ensure his veto.

Specifically addressing the causes of the current paralysis in Congress, Mr Clinton offered to sign a bill temporarily suspending the 1993 petrol tax, if it were sent to him free of non-germane riders and if the Republicans allowed a comparable "clean" vote on increasing the federal minimum wage.

He also explicitly reminded the Republicans that they appeared to be losing the battle for public opinion in their legislative tactics. Without directly referring to his expanding lead in the polls, the president pointedly asked: "Will you go your own way again, leaving the American people with the memory of extremism, deadlock and government shutdown?"

The remaining 90 days of the congressional session, he went on, should be treated "like the end of the legislative session and not the beginning of an election season." All the seats in the House of Representatives, and a third of those in the Senate, will be at stake in the November election.

Mr Clinton's remarks came hours after Senator Bob Dole, Senate majority leader and presumptive Republican presidential candidate, and Senator Tom Daschle, Democratic leader, had indulged in a bitter exchange on the Senate floor, each accusing the other of foisting "gridlock" on Congress.

The president said he would be "glad" to sign both the petrol tax repeal and a minimum wage increase, "if they come to me clean." The first, a Republican priority, is meant to counter the recent surge in prices at the pumps; the second, demanded by Democrats, is aimed at helping poorer working Americans.

But he extended his offer by citing other important pieces of legislation which he would be willing to sign if they were stripped of what he repeatedly called their "poison pill" features. That included welfare reform, if the Republicans detached changes to Medicaid for the poor, and an immigration bill, if a rider approved by the House denying hospital care to the children of illegal immigrants were dropped.

Mr Clinton also said he was perfectly willing to re-open negotiations on a seven-year balanced budget agreement, provided the Republicans stopped insisting on deep spending cuts for education and the environment.

Mr Clinton, somewhat artfully, said he was not asking "the Republican national committee or Senator Dole to refrain from politics." But, "whenever we've worked together in a bi-partisan fashion, we've gotten progress."

Mr Dole's initial reaction to the president's intervention was dismissive, sarcastically referring to what he called "the president's non-partisan appearance [at] the White House". He insisted he had offered the Democrats "clean votes" on the petrol tax and the minimum wage, so long as they agreed to a third clean division on the "team act", bitterly opposed by organised labour for fear it infringes on collective bargaining rights.

Black opponent again for right-winger

Helms in repeat run

By Jurek Martin in Washington

Senator Jesse Helms, arch-conservative chairman of the US Senate foreign relations committee, will again defend his North Carolina seat against Mr Harvey Gantt, the black former mayor of the city of Charlotte, in the November elections.

Mr Helms, first elected in 1972, defeated Mr Gantt six years ago 53:47 per cent. That contest was marked by much racial innuendo from the senator. Some early Helms commercials this year have again attacked preferences in hiring and other areas for blacks and homosexuals.

Mr Helms may be relieved not to have to face the man Mr Gantt defeated by 53:41 per cent on Tuesday in the Democratic party's senatorial primary. Mr Charles Sanders, former head of Glaxo, the pharmaceuticals company, is not only white but also an advocate of several conservative positions, including term limits for members of Congress, that, he claimed, undercut Mr Helms's appeal in ways Mr Gantt could not.

In his speech to concede defeat, however, Mr Sanders promised to do "everything I can" to put Mr Gantt in the Senate.

The latter has challenged Mr Helms to public debate on racial questions rather than, as he put it, "hide behind those 30-second TV commercials." Mr Helms hoped the two could "disagree agreeably like gentlemen".

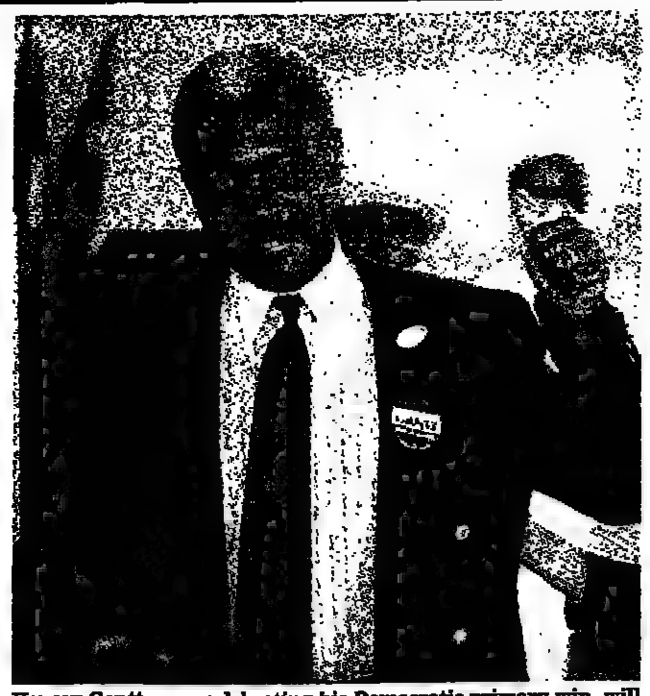
For all his long service in Washington and vaunted fund-raising abilities, Mr Helms is accustomed to close races. His winning percentages in his four Senate elections have been in the range of 52 to 55 per cent.

This year, however, he may benefit from new Republican voter registration comfortably exceeding that of Democrats in North Carolina.

The state has long mixed a liberal tradition, rooted among blacks in its south and in the university complex by Raleigh-Durham in the north, with strong conservatism. That was evident in the Republican gubernatorial primary on Tuesday, won by Mr Robin Hayes, supported by both the gun lobby and the Christian Coalition, for the right to take on Mr Jim Hunt, the popular Democratic incumbent, in November.

In presidential primaries on Tuesday, President Bill Clinton and Senator Bob Dole easily won North Carolina, Indiana and the District of Columbia against token opposition.

The election in the US capital was noteworthy for the fact that voter turn-out hit a record low of 9 per cent – in a poll which it cost the quasi-bankrupt city $350,000 to stage.



Harvey Gantt, seen celebrating his Democratic primary win, will have a second tilt at arch-conservative Senator Helms Picture: AP

Elsewhere, the citizens of Nashville, Tennessee, comfortably approved a bond issue to help build a new professional football stadium, intended as the home of the current Houston Oilers team. US cities and states are in intense competition to attract, or retain, professional sports franchises.

In March, voters in San Francisco supported a new baseball park on the city waterfront to keep the local Giants from leaving for San José or another city.

Mexico-US accords made

Mexico's often chilly relationship with the US warmed a little this week, as two days of talks ended with a welter of agreements, Daniel Dombey reports from Mexico City.

The cabinet-level Binational Commission reached accords on topics including drugs issues, immigration and environmental co-operation.

Mr Warren Christopher, US Secretary of State, hailed the talks, for which an unprecedented nine US cabinet secretaries travelled to Mexico City, as having arisen from "the most positive relationship that we have ever had between Mexico and the US".

His closing comments contrasted with the inaugural statement of Mr Angel Gurria, Mexico's foreign minister, who had criticism of mounting anti-migrant sentiment in the US and of draft legislation before Congress which seeks to prevent third countries investing in Cuba.

But Mexican criticism accompanied what seemed to be a greater disposition to co-operate with the US, whose officials were especially enthusiastic about a Mexican request for US technical assistance in implementing the former's new money-laundering law.

The subject has been especially delicate because of recent suggestions by US Drug Enforcement Administration officials that Mexican banks have been involved in money-laundering. Such comments could have hardened the traditional Mexican aversion to interference in its internal affairs. The suggestions were this week down-played by US representatives.

Mexican officials spoke highly of a pact to enhance consular protection for illegal immigrants to the US.

Moderate growth in economy

The US economy grew moderately in the past two months, with little sign of any inflationary pressures, a survey of regional business conditions by the Federal Reserve shows, AP reports from Washington.

The survey by the Fed's 12 regional banks showed all districts except New York were sharing in the expansion. Several districts "noted the pace of expansion had quickened recently."

"Price increases remained generally subdued and there were only scattered reports of wage pressures despite continued tight labour markets and somewhat stronger economic growth," the survey summary said.

Canadian province keeps aim to balance budget by 2001

Ontario to cut income tax

By Bernard Simon in Toronto

Ontario's Conservative government plans to cut personal income tax rates in the Canadian province by 30 per cent over the next three years, without jeopardising its aim of a balanced budget by 2001.

The tax cut, unveiled in the government's first budget since it took office last June, marks a sharp break from successive increases imposed by all levels of government in Canada over the past two decades.

Ontario, which accounts for about 40 per cent of Canada's total economic output and is an active borrower on world capital markets, is well behind most of the other nine provinces and the federal government in bringing down its budget deficit.

This week's budget projected a deficit of C$8.2bn (US$6bn) in the year to March 1997, down from C$9.1bn in 1995/96. The Conservatives hope that public spending cuts and continuing economic growth will more than offset the new tax concessions.

Mr Ernie Eves, provincial finance minister, said: "Unless we reduce our current levels of taxation, we will never return to prosperity, we will never create enough jobs to give Ontarians a secure future, we will never generate enough revenues to balance the budget."

The provincial income tax rate will drop, on July 1, from 58 per cent of federal tax payable to 54 per cent. Further cuts will bring it to 40.5 per cent by 1999.

Social activists and other critics opposed the tax cut, saying the funds would be better used to ameliorate cuts in government services, which have included a 22 per cent reduction in welfare payments and lower funding for community groups.

The business community generally welcomed Ontario's strategy, but economists cautioned that a recession could derail the deficit reduction targets.

The government has yet to offer full details of its planned overhaul of the public sector, including the possibility of several large privatisations.

Even so, Richardson Greenshields, a Toronto securities firm, said in a commentary yesterday that the commitment to fiscal discipline by the federal government and the provinces was "a vital element in our expectation of a secular rise in the Canadian dollar and narrowing long-term interest-rate spreads".

Mr Eves also moved to improve the business climate by exempting businesses with annual wage bills of less than C$400,000 from payroll taxes used to finance health care services.

This concession was offset by a health surtax on middle- and high-income earners.

Big step on Guatemala's tortuous road to peace

Social reform deal brings closer an end to Central America's remaining civil war, writes Fiona Neil

The signing this week of a social reform agreement by the Guatemalan government and leftwing guerrillas marks a big step forward in the slow trudge to wrap up Central America's longest and last remaining civil war.

The agreement is also another feather in the cap of President Alvaro Arzú who has surprised both friends and foe since he took office in mid-January with a reputation as a tough rightwing businessman and a member of Guatemala's exclusive white elite.

The significance of the agreement lies less in its sketchy content than in the fact that the biggest hurdle to a final peace accord has now been cleared after almost a year of tortuous discussions.

With only three issues – the role of the army, constitutional reform and the re-integration of guerrillas back into society – remaining on the negotiating agenda, Mr Arzú's pledge to sign a full accord with the Guatemalan National Revolutionary Unit (URNG) to coincide with independence day celebrations on September 15 no longer seems the product of post-electoral euphoria.

The five-point agreement addresses a range of issues aimed at attacking the poverty that has fuelled the 35-year civil war, but is short on specifics. The most important points include the creation of a land bank to provide soft loans for poor peasants to buy property, the introduction of a land tax, and the establishment of a registry to define land ownership.

All these measures are designed to attack Guatemala's notoriously skewed land distribution, without offending powerful landowners, who nearly derailed the peace process last year because they feared the government would back some kind of agrarian reform. Land distribution has been a fulcrum of conflict in Guatemala for 200 years.

The government also agreed to double health and education spending over the next four years by improving tax collection rather than raising taxes. "There is something for everyone. No one can say they have been sold out," said one European diplomat.

The peace breakthrough is another example of Mr Arzú's ability to manoeuvre skilfully over Guatemala's political minefield, winning support from a fledgling centre which may finally stamp out the tendency towards extremism in polarised Guatemala. His closest advisers include a handful of intellectual heavyweights – some former URNG sympathisers – whom analysts say have softened his National Advancement Party's rightwing image.

He himself made the key breakthrough in late March by making a surprise visit to the guerrillas' headquarters in Mexico City. The URNG subsequently announced an historic open-ended ceasefire as a gesture of goodwill. It was rapidly matched by Mr Arzú, who ordered the army to end all counter-insurgency operations.

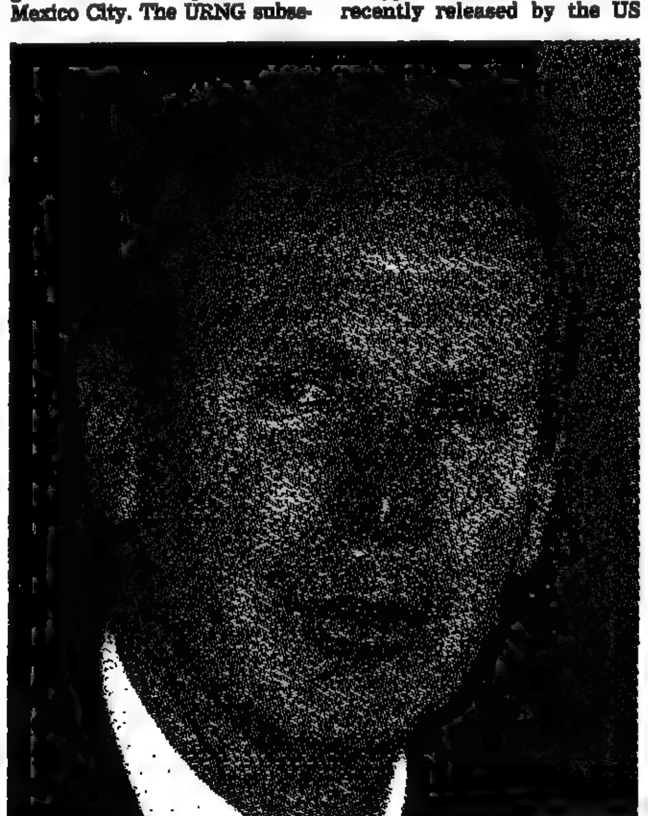
Mr Arzú has won international support for acting swiftly to make good his electoral promise to attack crime rackets by purging elements of the powerful army accused of being corrupt, including a number of generals.

While the government played down the charges, dismissing them as routine, privately ministers say those removed were involved in crime rackets ranging from kidnapping to international car theft and drug trafficking.

The daring and unprecedented purge has the support of a small but sophisticated group of reformist officers who dominate the military high command.

Analysts say these officers believe Guatemala's notoriously brutal and corrupt army must clean up its house if it wants to win international credibility and maintain its dominant role in the country's internal politics.

Mr Arzú still faces an uphill struggle. Classified documents recently released by the US State Department relating to army killings of US citizens in Guatemala may resurrect the thorny issue of human rights.



President Alvaro Arzú: surprising initiatives for peace Picture: Reuter

While Guatemala's army is prepared to tackle corruption in its ranks, it is unwilling to punish members for war crimes which have claimed the lives of around 100,000 civilians.

The country is also in the midst of a crime epidemic which many fear may worsen after a full peace accord is signed, as occurred in neighbouring El Salvador.

According to a recent newspaper report there are an average of 10 killings and three kidnappings a day in Guatemala. Some say the crime wave may be part of a backlash by purged army officers without a job.

The Management Board
of Poliski Bank Rozwoju S.A. - Polish Development Bank in Warsaw
hereby informs
that pursuant to Art. 393 § 1 of the Commercial Code
and § 28 point 2 of the Company's Charter
it convenes
the General Meeting of Shareholders
to take place on 21 May 1996 at 13.00 hours
in Warsaw at 5 Plac Trzech Krzyzy
in* the POD KOPULA Hall *of
the Central Planning Office Building with the following agenda

1) Opening and appointment of the chairman;

2) Establishment of validity of the meeting;

3) Adoption of the meeting agenda:

4) Appointment of the returning (vote counting) committee;

5) Consideration of the Report of the Management Board on Activity of the Company, the Company's Financial Statements and the Report of the Supervisory Board (Bank Council) on examination of the above-named documents;

6) Adoption of the resolutions on the following matters:

- Approval of: the Report of the Bank Council on examination of the Company's Financial Statements; the Report of the Management Board on Activity of the Company; and the proposal of the Management Board on profit distribution;

- Approval of: the Report of the Management Board on Activity of the Company; and Financial Statements in respect of 1995 including the Balance Sheet, Profit and Loss Account, Supplementary Information, and Cash Flow Statement;

- Distribution of profit in respect of 1995;

- Acknowledgement of the duties performed by the Management Board and the Bank Council;

7) Adoption of a resolution on establishment of an employee incentive awards fund;

8) Adoption of a resolution on changes to the bank's Charter.

9) Adoption of a resolution on increasing of the discretionary fund being equity of the bank's Brokerage Office:

10) Conclusion of the Meeting.

The Management Board of Polski Bank Rozwoju S.A. - Polish Development Bank (PDB) informs that pursuant to article 399 § of the Commercial Code, the right to participate in the General Meeting of Shareholders is due to owners of bank's bearer shares if those persons submit at least one week prior to the date of the General Meeting a deposit certificate issued by the Brokerage Office or a certificate issued by the brokerage office maintaining their investment accounts. The latter certificate should contain a clause stating the number of shares held, and statement that at issuance of the certificate the said shares have been blocked at the investment Account until completion of the General Meeting.

In place of deposit certificates, the shareholders may submit a proof of placement of the deposit certificate in a bank safe-keeping facility or with a notary public. The said proofs contain information on the number of shares held and state that the deposit certificates shall not be returned before completion of the General Meeting.

The certificates or deposit certificates should be submitted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznanska Street) between 6 May and 13 May 1996, 8.30-15.30.

The list of shareholders authorised to take part in the General Meeting pursuant to article 400 § of the Commercial Code will be posted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznanska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8.30-15.30.

The shareholders may take part in the General Meeting and execute their rights to vote in person or through proxies. Power of attorney should be granted in writing under the rigour of being found null and void.

Representatives of legal persons should present the excerpts from appropriate registers which name the persons authorised to represent those entities. Any person not entered in the above-mentioned register should present power of attorney in writing.

Joint owners of shares are obliged to indicate in writing their joint representative authorised to take part in the General Meeting.

Persons authorised to take part in the General Meeting will be able to voting cards and to register those cards on the day of the General Meeting at the entrance to the meeting hall between 11.00 and 13.00.

The following changes to the bank's charter are proposed:

1) in § 13 words "in another way indicated by the Bank" shall be substituted with words» by takeover of the object of the lien to become a property of the Bank". The second second sentence shall be deleted.

2) in § 28:

a) in section 2 words, "until 31 May" shall be substituted by words» until 30 June",

b) section 4 shall read: »4. Convening of the General Meeting of Shareholders shall be done by means of an announcement in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) published at least three weeks before the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the daily newspaper Rzeczpospolita at least weeks prior to the date of the General Meeting",

the previous wording of section 4 is: »4. Convening of the General Meeting of Shareholders shall be done by means of two announcements in Rzeczpospolita, a daily with nation-wide circulation, at least 10 days prior to the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the Financial Times at least 10 days prior to the date of the General Meeting",

c) section 5 is added which shall read as follows: »5. In the announcement convening the General Meeting the date, hour and place of the General Meeting as well as the detailed agenda shall be included. In case of an amendment to the Charter the announcement should refer to the currently valid provisions and present the text of planned amendments.",

3) in § 29 the section number, "1" and section 2 shall be deleted,

4) in § 31 in section 1, following the word »votes" the word »cast" shall be added,

5) § 32 shall read: »§ 32. Resolutions concerning issuance of bonds, including bonds convertible to shares, changes in the Charter, disposals of the company, merger and dissolution of the Company are taken by the majority of 3/4 of votes cast."

the previous wording of § 32 is: »§ 32. Resolutions concerning issuance of shares, bonds, changes in the Charter, changes in the subject of the Bank's activity, or merger of the Bank shall require a 3/4 majority of votes cast",

6) § 33 section 2 shall read: »2. In case when there is no quorum, as specified in section 1, during a General Meeting the persons convening that Meeting shall convene another General Meeting in 14 days time. In such a case the Meeting is valid indifferent to the number of shares represented at such a Meeting.",

the previous wording of § 33 section 2 is: »2. If a properly convened General Meeting has no quorum, as specified in section 1, the persons convening that Meeting may set a second date for the General Meeting. In such a case, resolutions may be adopted irrespective of the number of participants."

7) in § 34 in section 1:

a) point 2 shall read: »2 examination and ratification of the report on activities of the company and the financial statements including the balance sheet, profit and loss account for the past year, additional information and cash flow,",

the previous wording of point 2 is: »2. examination and ratification of the balance sheet, and the profit and loss account in respect of the past year,",

b) following point 2 point 2a shall be added which shall read as follows: »2a. distribution of profit or coverage of the losses,",

8) in § 36 point 1 shall read: »1) ratification of the report of the Management Board concerning activities of the Company and of the financial statements including the balance sheet, profit and loss account, additional information and cash flow.".

the previous wording of point 1 is:»1) initial ratification of the Management Board reports, the Bank's balance sheet, and the profit and loss account in respect of the past year.".

9) in § 40 in section 1 words»commercial ledgers" shall be substituted with words »accounting ledgers".

10) § 41 shall read:»§ 41. The financial statements and written report concerning activities of the Company should be prepared by the Management Board within 3 months following the end of the business year and then presented to the Supervisory Board for approval. The Supervisory Board is obliged to take a resolution concerning approval. The Supervisory Board is obliged to take a resolution concerning approval of the filed documents within 15 days following the date of receipt of the financial reports and the report concerning activities of the Company.",

the previous wording of § 41 is:»§ 41. The annual balance sheet, profit and loss account and written report concerning activities of the Company should be prepared by the Management Board and approved by within 3 months following the end of the business year. Within the subsequent 2 months these should be submitted with the General Meeting of Shareholders for approval."

11) § 44 shall read:»§ 44. The announcements concerning the Bank and required by law shall be published in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) according to the effective regulations and once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise.",

the previous wording of § 44 is:»§ 44. The announcements concerning the Bank and required by law, with the exception of those mentioned under § 28 section 4 of this Charter, shall be published once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise."

Management Board
Polski Bank Rozwoju S.A. - Polish Development Bank.

EU edges towards easing of 'mad cow' curb

Financial Times Reporters in Brussels and in London

The European Commission yesterday demanded that Britain impose tougher controls on the production of gelatin and tallow made from cattle slaughtered in the UK as a precondition to the European Union lifting its ban on the products. The demand is central to a strategy mapped out yesterday by Mr Franz Fischler, the EU agriculture commissioner, to prepare the way for an easing of the six-week-old ban. The plan still has to be approved by the EU's standing veterinary committee, which is due to meet again next Wednesday. Yesterday they ended a two-day meeting, deferring all decisions to next week.

Mr Douglas Hogg, UK agriculture minister, last night described the Commission proposal as "an important step", but he repeated his demand for an early lifting of the full ban on beef exports. Mr Hogg's aides said they believed the British beef industry could "live with" the conditions attached by the commission to the lifting of the export ban on gelatin and tallow.

But they accepted there was still substantial EU opposition to even a partial lifting of the beef export ban, particularly from Germany. In addition, EU officials warned that there were still doubts over whether the EU veterinary committee, which consists of representatives from member states, would agree to Mr Fischler's plan. However, one official added: "If agreement could be reached on this it would create the psychological conditions in both the UK and other member states to improve the situation."

But he said the commission "has to act carefully. There is no point being radical on this issue if the member states will not follow us." The commission is demanding that only authorised plants should be allowed to make gelatin and tallow and that labelling should show what production techniques had been used.

"Once these measures are put into action the Commission considers that it would no longer be necessary to maintain the export ban," a commission statement said. The commission statement added that the proposals matched recommendations from the World Health Organisation which said that gelatin was safe if the manufacturing process "has been demonstrated to significantly inactivate any residual infective activity that may have been present in source tissues. Tallow is likewise safe if effective rendering procedures are in place".

EU officials confirmed that Mr John Major, the British prime minister, had written to Mr Jacques Santer, president of the commission, pressing for a "rapid solution" to the problem. Mr Major suggested that, if no progress could be made, a summit of EU heads of state should be called.

The British government's cull scheme finally began yesterday as about 1,000 cattle aged over 30 months were destroyed. But most of the slaughterings were in Scotland and Northern Ireland, with only about 100 in England, and bottlenecks continued to be reported. The government said on Tuesday there was a backlog of 120,000 cattle.

Manufacturing decline heads for a soft landing

By Graham Bowley in London

The empty, devastated factory landscapes of the early 1980s and 1990s were testament to the last great contractions of British industry.

Official figures published today are expected to show that, after a period of relative buoyancy since 1992, manufacturing may once again be set for further contraction as it teeters on the brink of recession.

Its latest woes – which have seen the annual growth rate in manufacturing output fall from 4 per cent last March to about half a per cent at present – have been exacerbated by a large build-up in unsold stocks of finished goods and a fresh deterioration in export performance.

Export demand in some of the UK's main overseas markets has virtually dried up thanks to their slower growth. Export volumes to the European Union have fallen by 3 per cent since last July although exports outside the EU remain buoyant.

These present troubles may prove temporary but they nevertheless mark the latest step in a long and painful process which has seen manufacturing's importance in the UK economy shrink.

Manufacturing's long-term demise has been inextricably linked – as it is now – to the UK's poor trade performance, understandably so since tradeable manufactured goods make up the largest part of most developed countries' exports.

An overvalued exchange rate at crucial points during this period was blamed by many for the poor trade performance. In the early 1980s tight monetary policy and the UK's huge oil exports led to a strong pound which wrought havoc in the manufacturing sector. Industry suffered again during sterling's membership of the European exchange rate mechanism.

On a brighter note, Oxford Economic Forecasting, the economics consultancy group, believes manufacturing may now be poised to outperform the rest of the economy – helped by the UK's relatively low wage costs which mean manufactured goods can be competitive in international markets. UK hourly labour costs are 46 per cent lower than in West Germany and 44 per cent lower than in Japan, it estimates.

But even if manufacturing's absolute decline is halted, its relative share of overall GDP looks set to remain stable at best. While manufacturing has been in the doldrums this year, the service sector has continued to grow rapidly – at an annual growth rate of 2.8 per cent in the first quarter of this year.

But should we be worried by British industry's relative decline? Ms DeAnne Julius, chief economist at British Airways and co-author of a prize-winning essay on de-industrialisation, thinks not. "There is nothing special about manufacturing that means it should receive special attention from government policy," she said.

Mr Geoffrey Dicks, economist at NatWest Markets, agrees there is small cause for concern. "We cannot live by services alone because a lot of the sector services manufacturing. But that said, it is not worrying that manufacturing has become as small a part of the economy as it has."

The UK has also avoided the balance of payments problems thought inevitable as imports continued to be sucked into the UK without the manufactured exports to pay for them.

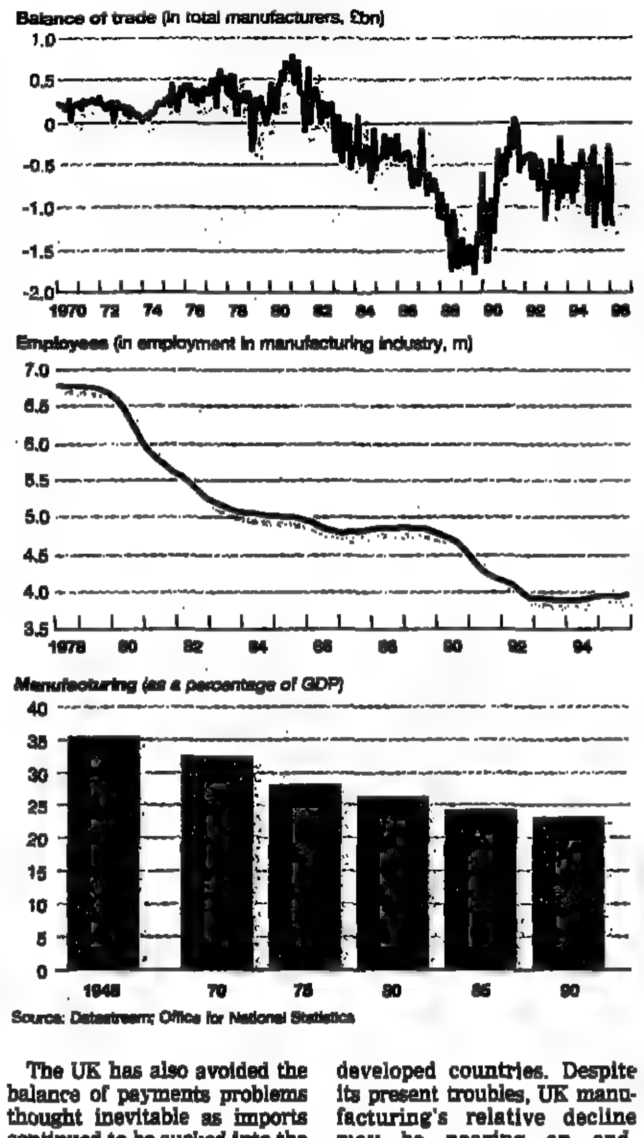
And the UK's experience is not unique – a move away from industry towards services is a trend common to most developed countries. Despite its present troubles, UK manufacturing's relative decline may be nearing an end, whereas in other countries – such as Germany and Japan – there appears still to be much further to fall.

Samuel Brittan, Page 14

Industry content with unchanged rates

The Confederation of British Industry said yesterday that it was happy for UK interest rates to remain unchanged for now, our Economics Editor writes. "Our view on interest rates is that they can be left on hold for the time being", said Mr Sudhir Junankar, associate director of economic analysis at the CBI, Britain's largest employers' organisation. He added that the economy would have to weaken more to justify a further reduction in base rates from their current 6 per cent. Mr Junankar made his comment shortly after Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, concluded a routine monetary meeting. As expected, no cut in rates was announced in the immediate aftermath of the meeting. Meanwhile the CBI published its latest analysis of regional trends in UK manufacturing industry. It reported that orders fell sharply in six out of 11 regions in the four months to April.

Factories in retreat



Source: Datastream; Office for National Statistics

Central bank downbeat on EMU

By Gillian Tett, Economics Correspondent

Financial markets will punish the UK by pushing up its bond yields if it stays outside a single currency, Mr Eddie Goerge, the governor of the Bank of England, warned yesterday. But if the UK enters a single European currency it will be tying itself to a project which looks increasingly risky, he added.

Mr George saidthe recent economic slowdown on the mainland of Europe had left him "more doubtful than a year ago" as to whether the conditions would be in place for healthy monetary union in 1999 – the planned starting date.

His comments provided a stark outline of the unpalatable choice that any future UK government will face later this decade if European monetary union goes ahead.

However, his downbeat analysis is likely to be rebuffed by Mr Yves Thibault de Silguy, the European Union's monetary commissioner, who meets with UK businessmen and political leaders in London today and tomorrow.

Mr de Silguy hopes to use the meetings to win support for EMU. He will meet the oppposition Labour party's shadow chancellor of the exchequer, Mr Gordon Brown, and the deputy prime minister, Mr Michael Heseltine. He will also promote the advantages of a future exchange rate mechanism to the those outside EMU to the single currency.

Commission officials insist that they do not intend to try to "bully" the UK into reentering a future ERM. However, Mr de Silguy will argue that full sovereignty is a myth for countries in the modern world – and insist that a single currency could increase jobs and economic growth.

But the problems Mr de Silguy will face in persuading UK officials of this were underlined by Mr George.

Speaking to the House of Commons Treasury select committee, Mr George pointed out that the high unemployment levels in Europe, and the variation between countries, were an important factor threatening the viability of the single currency project.

But although he said that the recent slowdown in Europe made convergence towards EMU increasingly difficult, he added that political pressures in France and Germany meant they were likely to press ahead anyway.

The UK could face the risk of discrimination if it stayed outside EMU, he added.

Meanwhile, bond yields would almost certainly rise – although in the longer term he hoped that prudent economic management might eventually lower them. "The financial markets would penalise us – they would be suspicious about why we had stayed out and would demand a premium," he said.

Sales of trucks (Jan-April 1996)

	Volume (Units)	Volume Change (%)	Share (%) Jan-Apr 96	Share (%) Jan-Apr 95
Trucks (over 3.5 tonnes)				
Total	17,080	-6.0	100.0	100.0
Imports	10,525	-1.2	61.6	58.6
Iveco group**(Fiat)	3,729	-5.5	21.8	21.7
Leyland Daf (Daf Trucks)	3,192	-15.6	18.7	20.8
Mercedes-Benz (Daimler-Benz)	3,009	-0.9	17.6	16.7
Scania (investor)	2,235	11.1	13.1	11.1
Volvo	1,890	-9.0	11.1	11.4
MAN	1,018	8.9	6.0	5.1
ERF	722	-31.3	4.2	5.8
Renault	655	6.9	3.8	3.4
Of which Heavy Trucks (over 15 tonnes)				
Total	10,528	-7.5	100.0	100.0
Scania (investor)	2,235	11.1	21.2	17.7
Volvo	1,759	-8.2	16.8	16.9
Leyland DAF (DAF Trucks)	1,718	-14.4	16.3	17.7
Iveco group**(Fiat)	1,358	-6.0	12.9	12.6
Mercedes-Benz (Daimler-Benz)	1,164	-16.5	11.0	12.2
ERF	722	-31.3	6.9	9.2
MAN	619	12.1	5.9	4.8
Renault	461	15.9	4.3	[illegible]

(names in brackets indicate ownership); **Includes Iveco Ford and Seddon Atkinson.
Source: Society of Motor Manufacturers and Traders and industry estimates.

Industry fears that a two-year recovery in the truck market is over were confirmed yesterday by figures showing a 14.6 per cent year-on-year fall in registrations of trucks of more than 3.5 tonnes last month, John Griffiths writes. Statistics from the Society of Motor Manufacturers and Traders showed that April's registrations fell to 4,257 vehicles compared with 4,983 in the same month a year ago. The market for the first four months of the year plunged to 6 per cent below the same period last year, with 17,080 vehicles registered compared with 18,169.

Commercial vehicle sales are regarded as a useful indicator of economic activity. But the figures are sending out conflicting signals, as registrations of lighter commercial vehicles continued to be relatively buoyant in April. Total new commercial vehicles registrations last month were 0.8 per cent higher than in the previous April.

Rescued vanmaker seeks partners for new range

By Haig Simonian, Motor Industry Correspondent

A development partner, perhaps in Asia, is being sought by LDV, the British vanmaker which has risen from the ashes of the former Leyland Daf group. The company's choice of Samuel Montagu, the Asia-based merchant banking arm of the HSBC banking group, as financial adviser underlines the belief of Mr Allan Amey, LDV chief executive, that LDV could find a partner to work on new vehicles.

Mr Amey believes companies in a number of newly industrialising markets could be interested in co-operating on a successor to LDV's current range. The new model would combine LDV's reputation for no-nonsense products with more modern technology.

Mr Amey said he expected the next 12 to 18 months to be occupied by discussions with potential partners. LDV's 1,500 employees will be hoping he finds a candidate quickly. "We are aware that the current structure of the company probably won't be suitable in the next three to five years," he said. "Are we still going to be a private company in three years' time? I would doubt it."

Mr Amey's candour stems from the fact that LDV is a minnow in a shark-infested sea. With sales of just 15,200 vans last year, it ranks as the smallest of Europe's volume vanmakers. Moreover, almost all its business is in the UK, robbing it of the ability to ride out national business cycles by spreading its sales internationally.

Yet Mr Amey was confident that LDV had a future. The company had flourished in the three years since the collapse of Leyland-Daf, he said. Production had climbed steadily, and turnover jumped 43 per cent to £216m ($326m) last year while pre-tax profits rose 27 per cent to £23.3m.

Such figures have embarrassed the experts who predicted LDV was heading towards bankruptcy after its rescue. Instead, it has flourished by concentrating on simple, sturdy vans, which can be tailored relatively cheaply to the customers' individual needs.

While bigger rivals, such as Ford and Fiat, produce many times more vehicles, they generally come in fewer variants. That means fleet buyers who want special features, such as a sliding door here or a rolling door there, have to send their newly-acquired vehicles to a specialist bodybuilder for conversion. By contrast, LDV does the job itself straight off the production line.

The company hopes its new models and its move back into exports will lift sales to 17,000 vehicles this year. But while improved products and broader distribution will raise cash-flow, they will not be enough to guarantee LDV's long-term future. In spite of styling changes, the new Pilot and Convoy can be traced back to the 22-year old Sherpa van.

The new models may refresh the range sufficiently to carry LDV into the next century, but the company will eventually have to come up with a new product. That is where the trouble starts. Mr Amey reckoned a new van would cost £150m ($226.50m) to develop: many in the industry would put the figure appreciably higher. Either way, it is probably beyond the company's reach.

UK NEWS DIGEST

Ministers split on competition

The government should have no role in the creation of national corporate champions, Mr Ian Lang will say today in a break from the approach adopted by his predecessor as trade and industry secretary, Mr Michael Heseltine, who is now deputy prime minister. Mr Lang will also stress that the promotion of domestic competition is back at the heart of his role as arbiter of mergers and acquisitions. This return to the so-called Tebbit doctrine of the mid-1980s – which takes its name from the former trade secretary, Lord Tebbit – is the clearest indication yet of the sharp divide which has opened between Mr Lang and Mr Heseltine.

Mr Heseltine has always been more committed to the promotion of competitiveness and inward investment than the fostering of domestic competition. The statement by Mr Lang, in a speech today to a conference on utilities, has many implications for British industry and the City of London, since as trade and industry secretary he plays a quasi-judicial role in deciding whether takeovers should proceed. At the conference, organised by the Adam Smith Institute, the free market think tank, Mr Lang will say that he will use his powers to stimulate competition in the utility industries. However, he will also make it clear that this philosophy underpins his approach to all takeovers, in whatever industrial sector.

Robert Peston, Westminster

Mergers watchdog is defended

Past and present members of the Monopolies and Mergers Commission have defended its handling of the electricity generators' bids for two regional distributors. They were responding to last week's resignation from the commission of Mr David Kinnersley, a former chief executive of North West Water who criticised the MMC's workings and called on other members to quit. Mr Kinnersley was speaking after Mr Ian Lang, the trade and industry secretary, blocked the bids by National Power and PowerGen for Southern Electric and Midlands Electricity despite an MMC recommendation that they should be allowed to proceed.

Commission members contacted by the FT rejected Mr Kinnersley's criticisms. One member, a lawyer, said: "I can't see any validity or strength in his points and I'm certainly not aware of unease or unrest in the commission. We're in a 'no win' situation."

Stefan Wagstyl, Robert Rice and Andrew Bolger

Equitas failure cover is offered

LLOYD'S LLOYD'S OF LONDON

Lloyd's of London Names are being offered the chance to buy protection against the possible failure of Equitas, the insurance market's planned rescue vehicle. The product, launched by Aon Re Special Risks, part of the Aon broking group, could help Lloyd's sell its planned recovery plan – of which Equitas is part – to Names, individuals whose assets have traditionally supported the insurance market. Equitas will take responsibility for billions of dollars of US asbestos and pollution-related liabilities and is intended to allow Names to draw a line under their affairs at Lloyd's and leave. Some Names fear that, if Equitas has insufficient assets, they might face extra bills. The new product will allow them to protect specified assets against seizure.

Ralph Atkins, Insurance Correspondent

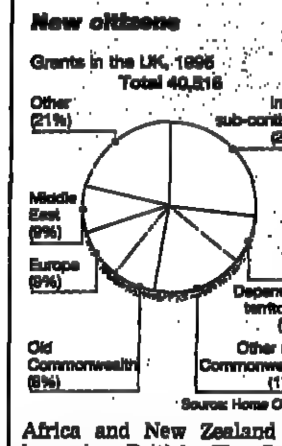
Business park near airport

A £100m ($151m) business park is to be developed at Manchester Airport in northern England in a joint venture by Arlington Securities and Manchester City Council. The park will house about 4,000 jobs on a 20ha greenfield site near the airport's terminal buildings and hotels. The airport, owned by Greater Manchester's 10 local authorities, is the ninth largest in Europe.

Ian Hamilton Fazey, Manchester

Fewer gain citizenship

New citizens



Source: Home Office

More people from the Indian subcontinent than any other region were granted British citizenship last year, followed by other entrants from the "new" Commonwealth, the Middle East and Europe, government figures show. The Home Office said that, of 40,516 people granted British citizenship last year, 27 per cent came from Pakistan, Bangladesh, India and Sri Lanka. Other "new" Commonwealth countries in Africa, the West Indies and elsewhere made up a further 17 per cent. Citizens from the "old" Commonwealth – Australia, Canada, South Africa and New Zealand – made up 8 per cent of those becoming British. The figures mark a continuation in the gradual decline in the number of people awarded citizenship from 117,000 in 1989 and 59,000 in 1991. This happened despite a continued increase in the number of applications for citizenship from 43,000 in 1993 to 52,000 last year. Nearly 45 per cent of the grants were made on the basis of residence, with a further 30 per cent for marriage to a British citizen.

Mark Suzman, Social Affairs Correspondent

Workplace illness rises

The health of the British workforce leaves much to be desired, say two reports. Working days lost through strikes – once called the national sickness – are at their lowest level since records began in 1891 but evidence continues to mount that the new national sickness is sickness itself. With rising absenteeism costing around £11bn ($16.6bn) annually, the government's Health and Safety Executive said that more than 2m employees each year were suffering ill-health either caused or aggravated by the workplace. The HSE's comments coincided with a report claiming that Myalgic Encephalomyelitis, otherwise known as ME, is costing nearly £1.5bn a year in benefits, medical bills and loss of government revenue. At least 150,000 people in Britain are thought to be affected by the illness, characterised by exhaustion and lethargy.

Michael Cassell, Business Correspondent

Ostrich farming attracts protests

Financial Times Reporters

Investors in ostriches were mocked by animal welfare campaigners outside the High Court in London yesterday as the Ostrich Farming Corporation warded off an application by the British government to wind it up.

Dressed as a "City gent" astride a pantomime ostrich, Mr Richard Hardy (right), of the Compassion in World Farming group, said the wild birds were ill-suited to life in small paddocks in a cold, wet climate.

But Mr Rob Collard, a Welsh ostrich farmer who is offering to ship birds belonging to OFC investors from a farm in Belgium, said: "These are teething troubles for the ostrich industry, that's all."

The government's application to wind up the OFC was postponed after the company said it needed more time to prepare its defence.

Afterwards, one investor said: "We are all very concerned about the whole situation. We want it sorting out as soon as possible. The whole thing is a nightmare."

The Official Receiver was appointed in April as provisional liquidator of the OFC, which took millions of pounds from several thousands of investors by "guaranteeing" annual returns of more than 51 per cent.

US and S African governments face suits over weapons-to-Iraq case

Ex-arms dealer to sue over jail term

By Jimmy Burns in London

The former British intelligence agent and company director at the heart of the arms-for-Iraq affair, Mr Paul Grecian, yesterday said he planned to take legal action against the South African and US governments for wrongful imprisonment. Mr Grecian arrived back in the UK from South Africa after a Johannesburg court rejected a US request for his extradition on charges of conspiring to sell artillery fuse components to Iraq in violation of an arms embargo.

He described the past six months, during which he was held in South African prisons while facing pressure from US officials, as a "disaster" which has caused him and his family distress. "There is no doubt in anybody's mind that the Americans have not acted in very good faith, and that the action of certain officials in South Africa left grounds for serious concern," Mr Grecian said at a press conference in the House of Commons organised by Ms Ann Clwyd, the opposition Labour party MP who has campaigned on his behalf.

Mr Grecian was arrested in December by South African police on an Interpol warrant while visiting his fiancée, even though a British appeals court had just quashed his conviction for illegally exporting arms to Iraq via Jordan.

Yesterday he accused a US prosecutor of conducting a personal vendetta against him, and urged the UK government to intervene to have his Interpol warrant cancelled.

Mr Grecian's release from South Africa followed intense behind-the-scenes discussions between senior officials at the Foreign Office in London and members of the Mandela administration.

A former director of Ordnance Technologies (Ordtec), a British-based engineering company, Mr Grecian was convicted in 1992 of illegally selling arms to Iraq. But the conviction was overturned last year after new evidence, withheld from the defence in the original trial, was uncovered by an independent inquiry headed by Sir Richard Scott.

Official documents showed the UK government had known UK arms were being supplied to Iraq via Jordan but had chosen to turn a blind eye. They also showed that Mr Grecian had been among the first informants to provide the UK intelligence service MI6 with crucial information about the Iraqi supergun project.

US prosecutors are persisting with the case against Mr Grecian, alleging that he used false end-user certificates showing that artillery fuse components were destined for Jordan to obtain an export licence for the US manufacturer, the New Jersey-based Rexon Technologies Corporation.

Cinema/Nigel Andrews

Growing up and rites of passage

WHITE SQUALL
Ridley Scott

MR HOLLAND'S OPUS
Stephen Herek

EXECUTIVE DECISION
Stuart Baird

STONEWALL
Nigel Finch

100 DAYS BEFORE THE COMMAND
Hussein Erekinov

Some constitutional imperatives are no less forceful for being unwritten. Just as America has her Bill of Rights, Hollywood has its Bill of Rites. It decrees that every male citizen, bar none, must go through some major testing experience, either to prove that he is a man or to learn some higher wisdom about Life.

White Squall is a *rite-of-passage* movie about schoolboys growing up. *Mr Holland's Opus*, as an early captioned quotation suggests ("To teach is to learn twice": Joseph Joubert), is a ditto movie about a schoolteacher growing up.

The first film is based on a true story about a school ship that sank in a Caribbean squall in 1961, with 13 survivors and six dead. Tension, scenery and spectacle abound, along with the manhood lectures. The other, a Mr-Chips-with-everything epic about 30 years in the life of music master Richard Dreyfuss, offers tears, comedy, family drama, more tears and a climax that for sheer schmaltz makes *The Sound Of Music* seem like *Huis Clos*.

White Squall, directed by Ridley Scott, is low art with a high art sheen. It looks like every sea painting you ever wanted to steal off a gallery wall. The rearing brigantine riding the high-clawing, silvered waves; the Turnerish storms blending their gloomy, glowing half-colours; the hot-hued exoticism of lulls ashore.

Mind you, the maker of *Alien* and *Blade Runner* is getting careless with his exoticism when he strews Spanish moss and palm trees over an early scene set in nordic Connecticut (actually shot, end credits reveal, in South Carolina). And we scream louder at the phonier impositions that follow. This tale of boys on the briny under the rasping aegis of Captain Jeff Bridges, now looking frighteningly like father Lloyd, becomes a excuse for two hours of contrived adversity and preachy inspirationalism.

Even before the squall strikes – ten fine minutes of shivering timbers and exploding water – we have had the boy with vertigo who is forced to climb the rigging, the boy with father troubles who harpoons a symbolic dolphin, and the boy who writes arch voiced-over diary entries like "Today I leave the path chosen for me . . ."

The voyage and its horrors finally teach the lads, or the surviving ones, the virtues of teamwork and respect for authority. But if they had wanted to learn cracker-barrel wisdoms they could have enrolled in *Dead Poets Society*, which this film painfully, if at times picturesquely, resembles.

Mr Holland's Opus is silly too, but more lovable. Richard Dreyfuss wants to write the great American symphony but is stuck with teaching the great American unwashed. The place is an Oregon high school from the 1960s to the present day.

Like Michelle Pfeiffer in Dangerous Minds, Dreyfuss learns that it is no use knocking on his pupils' minds straight away with high culture. So he puts on hold his own preferences to give them the Beatles instead of Bach, the toys instead of the 12-note system.

Judging by Dreyfuss's own compositions, which sound like Aaron Copland rearranged by Mantovani, he is hardly up there with the avant-garde himself. But this is just one of the ways in which the film has its Virtuous Elitism cake while eating a cheap and tasty one that looks the same.

Dreyfuss earned an Oscar nomination for his gallant ageing feat, from boyish wig and bright pancake complexion to white hair and granny specs in 2½ hours, but even he cannot steer us through so much manipulation without our feeling used and abused. There is the wife (Glenne Headly) who sighs, laughs and/or sniffles with him through every crisis. (Don't women have a life of their own? Not in Hollywood). And there is the deaf son our *hero neglects* – *lavishing time* instead on the school's needy black drummer and auburn-haired clarinettist – until the multi-Kleenex moment when he sings a song especially for him, with sign language, at a deaf school concert.

The terrible thing is that the film jerks tears from us even as we despise our own gullibility. Reflexologists should look into this. Maybe it is the timing: a 150-minute press show on a light breakfast. Or maybe it is the magic of stars. When an actor like Dreyfuss puts his all into a role – shrugs, tics, chuckles, whiplash asides, brimming eyes – we go along with the singer even while having doubts about the song.

*

As well as on sea and land, *Executive Decision* shows you can learn wisdom five miles up in the air. Over the Atlantic the passengers of a Washington-bound jumbo jet fall prey to a trigger-happy Arab hijacker (David Suchet) with prisoner-freeing demands. On board, the Pentagon learns, there is "enough nerve agent to blow up half the Eastern seaboard." *Can CIA agent* Kurt Russell and a crack commando troop stop him by boarding the plane? Secretly, and in mid-air?

We wish to say at this point that Mr Suchet is in no way representative of a just and tolerant race, as witness the Islamic henchmen who get shot when they dispute his commands. We also respect the right of religious extremist groups to provide much-needed distraction on long-haul flights. This group even allows a showing of the in-flight movie to the passengers, who must have begun to believe they *were* the in-flight movie.

Meanwhile a bomb must be defused with perspiring tweezers down in the hold while up above – we are amazed at all the unused loft space in these planes – Russell must monkey-clamber about with surveillance tools. Between levels a stewardess (Halle Berry) must be lured into the troop's confidence by remote communication, so that she can gasp and gesticulate attractively for the video link-up.

It is all undemanding fun, right from the way from the surprise early exit of Colonel Steven Seagal during docking manoeuvres – sucked away by a cross-draught to another film – to the inevitable moment when a non-flyer must land the quaking, perforated plane.

With so many movies teaching us to be men how refreshing, in theory, to have *Stonewall* and *100 Days Before The Command*. The first is Nigel Finch's tribute to the 1969 Stonewall riots, when police and homosexuals clashed outside the eponymous bar in Greenwich Village.

The event has become so sacramental in gay lore that it could do with some irreverence. Instead we get a Brechtian soap opera: 90 minutes of strutting, flouncing and agitprop attitudinising – Miranda the drag queen who specialises in being thrown out of bars is especially tedious – wrapped up in dialogue to die for. "We deal in dreams," says someone. "I guess we're as American as apple pie."

The homosexuals in Hussein Erekinov's *100 Days Before The Command* are as Russian as cold cabbage soup. Not a smile from any of the uncloseted and often unclothed gays in this anguished tale of forbidden love in the military.

Erekinov gained permission to shoot in an army base by giving the authorities a fake script. Unfortunately he did not have, on this evidence, a non-fake replacement. Stock training footage listlessly alternates with shots of naked men in bunkrooms or showers, as if crosscutting alone would conjure a drama and a narrative. Instead we come out humming the echoey barracks and bleak *Slavic silences*.

Jeff Bridges as the captain in Ridley Scott's tale of boys on the briny, 'White Squall'

Opera

Lyrical Miss Julie

London's current passion for Strindberg's midsummer-night's scream of sexual attraction and class antagonism now moves to the operatic stage. The newly formed Operate (music director Philip Headlam) is a chamber opera company, the brainchild of Julia Hollander, one of the more exciting new talents in opera production (at ENO her *Fennimore and Gerda* garnered both brickbats and bouquets; her production of Buller's *Bacchae* made for unequivocally thrilling theatre).

For its inaugural production the company has chosen a composition by Margareta Hallin, herself a distinguished Swedish soprano – festival-goers with long memories may remember her blind, visionary poetess in Blomdahl's space-ship opera *Aniara* at Edinburgh at the dawn of the 1960s. It is a good choice, since without sacrificing any integrity, Hallin's score is accessible and emotionally quick to respond to the changing moods of the *amour fou* of the aristocrat and her father's manservant. Tonal, made up of snatches of melody and conversational flexibility, and with occasional hints of haunting folksong, the obvious comparison is with a Scandinavian Janáček.

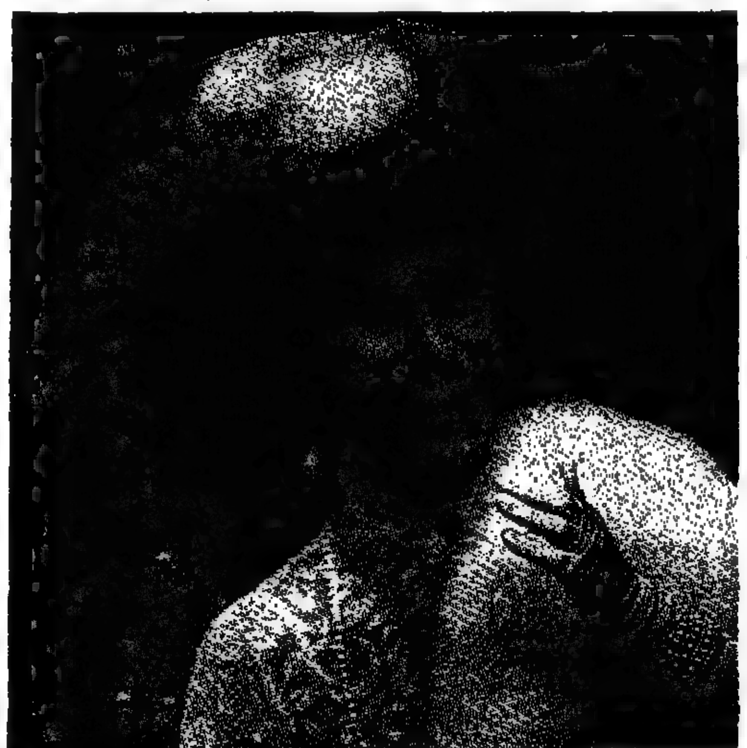
Apart from the three principals (the third is the down to earth servant Kristin, a confident symbol of self-righteousness amidst the socio-sexual heresies that fester around her in the torrid midsummer air), the score calls for a string quartet. Led by Neil Catchpole, divided into two pairs diagonally facing each other across the studio space, the young players are as evocative as Paul Russell's lighting design in both accompanying and intensifying the mood; and sometimes commenting ominously, as in sinisterly sliding violin *portamenti*.

Hallin's characters are vocally well defined. The manservant Jean is allowed a lyrical outburst as he rhapsodises about the Alps and the lovers' projected escape to their own hotel, giving way to triple-time mockery as disillusion sets in. Both Kristin and Julie have moments of reiterated declamation on one note – despite the tragedy, the women are certainly commanding figures for misogynist Strindberg – while Julie's bright soprano can hint at hysteria and the ostinato obsessiveness, darkening into possession at the end. Kristin has her moment of chorale-like religious certainty.

All roles are well written for young voices, and are gratefully performed by Janet Mooney (Julie), Richard Halton (Jean) and Rose Bellingham (Kristin). They make confident stage figures in Hollander's production, dominated by a spiral staircase that might have been flown in from Covent Garden's *Midsummer Marriage*, a visual reminder of the literal gulf between upstairs and downstairs that not even lust can bridge for long. And the offstage Count's boots are as potent a symbol of arrogant, unassailable masculine authority as the late General Gabler's pistols were for his little tomboy daughter, Hedda.

Martin Hoyle

Lyric Studio, Hammersmith, London W6 until May 18. Supported by Absolut Vodka, NiKeNo, the Polonsky Foundation.



Felicity Kendal as Millie carries the show along Alastair Muir

Theatre/Sarah Hemming

Feydeau farce with a hard edge

If there is a difference between English farce and the French farce of Feydeau, perhaps it lies in the fact that the English version of the genre is so often fuelled by embarrassment. Discovery, or the possibility of discovery, brings with it a sense of shame. Whereas in Feydeau, certainly in Peter Hall's new production of *Mind Millie for Me (Occupe-toi-d'Amelie)*, the characters do not even have the redeeming grace of the potential for embarrassment: they are all so heartless and greedy that their sole motivation is not to be found out until they have had time to pursue their frantic strategies.

Snappily translated by Hall and Nicky Frei, *Mind Millie for Me* is set in turn-of-the-century Paris and revolves around an upmarket courtesan, Millie, who is left to the tender care of Marcel, her lover's best friend, while her lover is away. She even *agrees to a fake marriage with* Marcel in order to boost his flagging fortunes by rendering him eligible for an inheritance. But when her lover Etienne returns early and discovers that the two appear to have betrayed his trust, he takes his revenge by sabotaging the fake wedding so that the two are in fact joined as husband and wife.

In Hall's bright, brittle, eagle-eyed production the ruthlessness of these self-centred individuals is emphasised. Unlike some farces, which begin with near-normality and spiral out of control, here we appear to be in a world that is permanently beyond moral repair. Like all Feydeau's farces, the plot is an ingenious and precisely balanced mechanism that works brilliantly, but we feel as if we are looking in on just one revolution of a ghastly machine that continues long after we have left. The characters are all monstrous, the atmosphere is bubbling with hysteria right from the beginning, and the whole thing has a *nightmarish quality, emphasised by* Gerald Scarfe's luridly coloured, slightly surreal sets.

This approach brings out Feydeau's despair at hypocrisy and moral bankruptcy – his savage satire of a society where rank is all, where a woman can be passed around like a bank-note and where marriage is the biggest disaster that can befall anyone.

The production whistles along at break-neck speed, is admirably detailed and often very funny. But you are never helpless with mirth: since the characters have no warmth there can be no real sense of betrayal, no real anguish and no truly desperate comedy – you cannot laugh heartily in sympathetic recognition of their predicament.

That said, the line Hall has taken is expertly executed and sustained, and the cast give superbly polished, frantic performances. Most have found a key to their parts in movement: Nicholas Le Prevost's ramrod Etienne stalks stiffly like a jointless *dummy; Neil Pearson's manic Marcel* bounces as if propelled round the stage by invisible springs; his voyeuristic Dutch uncle, pink-faced and carrot-haired, waddles around like a wind-up toy (a delightful performance from John Fraser). There are enjoyably witty performances too from Peter Blythe as a pompous, panting prince and Robert Lang as Millie's fumbling, fawning father.

The show is carried along, however, by Felicity Kendal as Millie, who succeeds in combining blatant acquisitiveness with oodles of charm. Here is the one character who seems to have a beating heart – when she realises that she has become a wife, she suddenly changes tack, suggesting that beneath the coquettish invincibility lies a yearning for something deeper. But for the most part this is a perfectly-turned, hard-edged production displaying human grubbiness like an overturned anthill.

Continues at the Theatre Royal, Haymarket, London (0171-930 8800).

INTERNATIONAL ARTS GUIDE

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Juliane Banse, Christoph Prégardien and Michael Gees: the *soprano*, tenor and pianist perform works by Wolf; 8pm; May 14

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Concerto Köln: and pianist Andreas Staier perform works by Mendelssohn, Albrechtsberger and Vanhal; 7.30pm; May 12
● Don Quixote: by Kienzl. Performed by the Rundfunk-Sinfonieorchester Berlin and the Ernst Senff Chor, conducted by Gustav Kuhn. Soloists include sopranos Celina Lindsley and Kisten Blanck, mezzo-soprano Michelle Breedt, alto Gabriele Schreckenbach, tenors Kurt Westi and Robert Wörle, baritones Wolfgang Schöne and Dietrich Henschel, and basses Thomas Hay and Andreas Kohn; 7.30pm; May 11, 12
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Berliner Symphoniker: with conductor Alun Francis, pianist N. van Oosterum, violinist S. Viersen and cellist L. Groeneveld perform Beethoven's overture to Fidelio and Symphony No.5 in C minor; 4pm; May 12
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Alfredo Kraus: masterclass by the tenor, featuring Camille Capasso, Abbie Furmansky, Marten Ernst Lassen, Ralf Lukas, Mathias Schulz and others; 11.30am; May 12

BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● *Carmen*: by Bizet. Conducted by Eugene Kohn and performed by the Oper Bonn. Soloists include R. Ingle, I. Bartz, I. Zaric, T. Karlsen, P. Naviglio and C. Conde; 7pm; May 11, 14 (8pm)

BRUSSELS

EXHIBITION
Palais des Beaux-Arts
Tel: 32-2-5078466
● August Sander. Le Pont Transbordeur: exhibition devoted to the work of the German photographer August Sander. The display includes historical documents and more than 200 photographs, including photographs for his life-work Menschen des 20 Jahrhunderts (People of the 20th Century); *to May 12*
OPERA
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Pelleas et Melisande: by Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pederson and Nathalie Stutzmann; 3pm; May 11

COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Eugene Onegin: by Tchaikovsky. Conducted by David Levi and performed by the Oper Köln. Soloists include Schweikart, Döring and Andonian; 8.30pm; May 10

COPENHAGEN

OPERA
Det Kongelige Teater
Tel: 45-33 14 10 02
● La Forza del Destino: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Danish Opera. Soloists include Gitta-Maria Sjöberg, Per Hoeyer and Stephen O'Mara; 8pm; May 11, 14

LONDON

CONCERT
Royal Albert Hall
Tel: 44-171-5898212
● The Royal Philharmonic Orchestra: with conductor Owain Arwel Hughes, tenor Thomas Allen and the Royal Choral Society perform works by Holst and Walton; 7.30pm; May 12
EXHIBITION
Dulwich Picture Gallery
Tel: 44-181-6935254
● Soane and Death: a major group of drawings from the Sir John Soane's Museum on the theme of tombs and monuments is displayed in an exhibition exploring Soane's interest in memorials and death rituals. The Dulwich Picture Gallery itself contains one of the most important of Soane's mausolea, designed for the bodies of the Gallery's founders; to May 12
OPERA
London Coliseum
Tel: 44-171-8360111
● Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Keith Latham and Philip Sheffield; *7.30pm; May 10*
THEATRE
Barbican Theatre
Tel: 44-171-6388891
● The Taming of the Shrew: by Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. The cast includes Josie Lawrence; 7.15pm; May 10

MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● *Orquesta Nacional de España*: with conductor Enrique García Asensio and piano duo Rentería-Matute perform works by Esplá and De Falla; 7.30pm; May 10, 11, 12 (11.30am)

MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098625
● Tokyo Symphony Orchestra: with conductor Norichika Iimori and pianist Markus Schirmer perform Takemitsu's Nostalgia, Mozart's Piano Concerto in C major, K467 and Tchaikovsky's Symphony No.5; 8pm; May 12

NEW YORK

EXHIBITION
Whitney Museum of American Art
Tel: 1-212-570-3600
● Collection in Context: Willem de Kooning's Door Cycle: exhibition reuniting a series of paintings created by De Kooning in the mid-1960s. The series consists of individual female figures painted on hollow-core wood doors accompanied in this exhibition by tracings and oil transfers of the door images, as well as photographs by Hans Namuth of De Kooning working on the series; to May 26

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● *Orchestre Philharmonique de* Radio France: with conductor Ingo Metzmacher and pianist Deszö Ranki perform works by Dusapin, Stravinsky, Webern and Mahler; 8pm; May 10
EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Miquel Barceló: exhibition of large paintings and sculptures by the Spanish artist; to May 12

SAN FRANCISCO

CONCERT
***Herbst Theater** Tel: 1-415-398-6499*
● Juilliard String Quartet: perform works by Mozart, Beethoven and *Sessions; 8pm; May 11*

STOCKHOLM

OPERA
Kungliga Teatern – Royal Swedish Opera House Tel: 46-8-7914300
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Swedish Opera. Soloists include Anders Lorentzson, Pauletta de Vaughn and Jerker Arvidson; 7pm; May 10, 13

VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● The Met-Orchestra New York with conductor James Levine perform works by Wagner, R. Strauss, Bartók and Gershwin; 7.30pm; May 11

WASHINGTON

EXHIBITION
National Museum of American Art
Tel: 1-202-357-2700
● Contemporary Printmaking in America: Collaborative Prints and Presses: for three decades the collaborative printmaking workshop in the US has had a significant impact on visual art. Ninety works on paper, created by artists in collaboration with more than 35 printers, provide an overview of this development in contemporary art; from May 10 to Aug 4

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Nonstop live coverage until 15.00 of European business and the financial markets

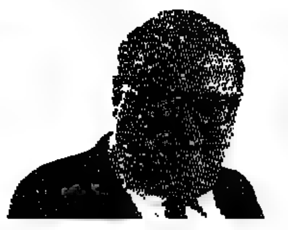
17.30
Financial Times Business Tonight

CNBC:

09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight



Economic Viewpoint · **Samuel Brittan**

Take away that gloom

The UK economy is doing better than a superficial look at some figures suggests. But it is unlikely to produce a sufficient recovery in the government's standing

A favourite theme of Michael Heseltine, the British deputy prime minister, is that an economic upturn, in which the consumer clearly gains, will provide a powerful political boost to the government of the day and could even get it re-elected in spite of heavy odds. I have never been quite able to understand why the party in power is supposed to derive a bonus from the economic growth that occurs naturally in most western economies in most years.

I cannot imagine Mr Heseltine would like an unsustainably rapid boom which would have to be reversed after an election. Even if he did, the financial markets would realise what was happening very quickly and there would be no shortage of Blairite commentators to translate their message to a cynical and suspicious electorate.

Even now, too many analysts see weaknesses and dilemmas that are mainly in the mind's eye. It is true that the flash estimate of first-quarter UK real domestic product shows growth still looking pretty sluggish. Real GDP rose by only 2 per cent over the year before and only 1.6 per cent over the previous quarter at an annualised rate. This compares with estimates of an underlying growth of productive capacity of around 2¼ per cent.

A longer perspective at first makes matters seem even worse. Real GDP is only 8½ per cent above the level it reached at the end of 1990, when the economy was officially regarded as operating around its equilibrium – ie without any gap between actual and sustainable output. This seems to mean that either underlying performance has deteriorated dramatically, or at the least that there remains a large negative gap between actual and potential output. In some people's terminology, the recession has never really ended.

Other analysts worry more about the composition of growth. When the recovery first started after the last recession it was led by the export sector; and manufacturing saw the greatest gains. But the service sector has since taken over the lead and manufacturing has been stagnant since last summer. The main dynamic element in the economy now comes from consumers. Moreover, unintended inventory accumulation continues, suggesting that the growth pause may well continue for some months longer, as the stock adjustment has further to run.

Most of the above concerns suggest that output is too sluggish and that policy is too restrictive. Yet there is plenty for those who always look for indications of a revival of inflation. Broad money growth is fairly high, not only in the UK but in most members of the Group of Seven industrialised countries. There has been some increase in commodity and oil prices; and bond markets worldwide have reacted nervously to quite a moderate surge in US growth.

But even if one treats these monetary and financial indicators as no more than amber signals, there is not much case for lower interest rates. Many of the direct effects would be on the consumer sector, which hardly needs stimulation. Another effect – other things being equal – would be to weaken sterling. And it would take a brave person to suggest that the British economy needs still more devaluation.

Yet there is an interpretation of events, which is less slavishly dependent on official figures and which makes much more sense. Home demand is growing at an adequate rate. The element of sluggishness is introduced by the depressed behaviour of continental export markets. It is reasonable to leave some room in the economy so that exports can take up some of the slack when the continental economies recover. There are already signs that Germany may be turning the corner under the influence of repeated if belated interest rate reductions.

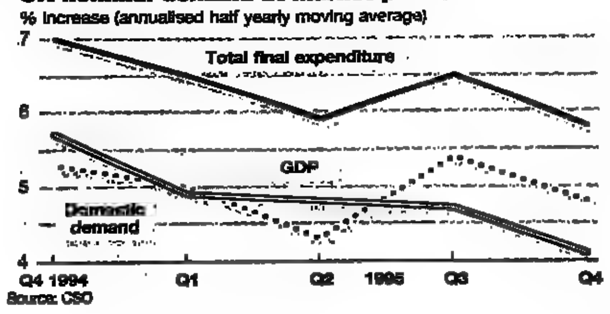
UK performance: an alternative interpretation

Change between Q4 1994 and Q4 1995	Official figures	Alternative interpretation
Real GDP growth	1.9%	2.9%
minus		
Productivity growth	0.7%	2.2%
gives		
Employment growth (%)	1.2%	0.7%
Employment growth (number)	296,000	183,000
minus		
Growth in working population	116,000	0
gives		
Fall in unemployment	183,000	183,000

Source: CEBR

UK nominal demand at market prices

% increase (annualised half yearly moving average)



Source: CSO

There are, furthermore, plenty of straws in the wind to suggest that UK economic growth is understated by official estimates. The accompanying table is an alternative interpretation provided by the Centre for Economic and Business Research. The centre accepts the unemployment figures at face value. It takes a more pessimistic view of employment growth than the official statistics, but this is more than offset by an optimistic view of productivity growth, based on survey data and on new types of businesses or products which official statisticians – through no fault of their own – cannot easily take into account.

The net result on the centre's estimates is that in the course of 1995 UK real GDP rose by nearly 3 per cent instead of the nearly 2 per cent estimated officially. The alternative presentation has the merit of stopping us from beating our breasts about growth when unemployment has been dropping.

The state of the economy can be best approached through the behaviour of nominal GDP – that is GDP before the statisticians separate it into volume and price changes. Measured at factor cost – which has the effect of removing indirect tax distortions – nominal GDP has been rising since the end of 1994 at an annual rate of 4 per cent or less. That is well below the 5 or 6 per cent consistent with non-inflationary growth. But it would be foolish to use this measure on its own.

It is no use just crying for policymakers to adopt nominal GDP as a philosopher's stone, or it will suffer the discredit that money supply and exchange rate targets have suffered and that inflation targets will surely suffer to. The heads of the two main non-official forecasting institutes now say they favour the use of nominal measures as a guideline. It will only make progress if they use it in detail in their own regular analysis.

Nominal GDP is one of a family of measures to be examined in conjunction with each other. Others include total final expenditure, which includes imports; and there is domestic demand, which excludes both imports and exports.

Unfortunately the only estimates for these other series are at market prices – rather than at factor cost – and the apparent growth rates they register are therefore too high. But the relativities do tell us something. The two other demand measures – total final expenditure and domestic demand – have been growing at higher rates and have veered less towards deflation than GDP itself. One does not have to be a balance of payments fetishist to suggest that the government should leave well alone and leave it to the external side to take up slack.

I am sometimes told that New Labour may adopt a nominal GDP objective, as if that were something for which I should feel personally grateful. The approach makes sense only as part of a wider framework of analysis which was once dubbed "monetarism without mysticism". The approach will fail if it is treated as a way for Labour to smuggle real output targets in by the back door while not realising that the whole point is to show that real output cannot be directly controlled by the Treasury or any other central organ.

The recent announcement by Gordon Brown, the Labour Treasury spokesman, that the Treasury would be responsible for real growth arouses suspicions that real growth targets may indeed be the intention. Apart from anything else, the Treasury is not particularly good at stimulating growth – except very indirectly insofar as the Treasury is an obstacle to sectional spending lobbies. It would be sad if we had to learn all the lessons of the early 1960s all over again because of the difficulties official statisticians have in estimating productivity gains.

BOOK REVIEW · **Richard Tomkins**

ASHES TO ASHES: America's Hundred-Year Cigarette War, The Public Health And The Unabashed Triumph Of Philip Morris
By Richard Kluger
Alfred A. Knopf, 807pp, $35

Damned by denials after age of innocence

Perhaps the greatest tribute one can pay the author of this monumental history of the US cigarette industry is that, at the end of its 807 pages, it is impossible to say with certainty whether or not he smokes. Such objectivity is rare on an issue where the level of debate tends to hover close to the edge of hysteria.

Arguably, hysteria is an appropriate reaction to what cigarette manufacturers do. In the US, smoking is the biggest single cause of premature death, taking the lives of an estimated 400,000 people a year. In the wider world, cigarettes have probably killed as many people this century as have fallen in all its wars.

Moderate language, it could be said, is inadequate to convey the necessary sense of outrage over death on such a scale. Yet cigarettes are not the only legally manufactured products that kill. Guns have a bad record, and cars take a terrible toll. Alcohol not only kills when consumed to excess, but causes many social problems. Sugar, salt and fat claim lives.

Richard Kluger asks whether cigarette manufacturers are businesspeople much like any others, purveying a product that turned out to be hazardous long after it had become established in society, and now sorely abused by health fascists and moralising busybodies: or whether they are moral lepers preying on the ignorant, the miserable, the emotionally vulnerable and the genetically susceptible.

It is a question he never quite answers. But ultimately he allows the industry to damn itself, chronicling in painstaking detail its continued denial of the causal connection between smoking and disease long after the evidence had become irrefutable.

Of course, that evidence only emerged a few decades ago. Before that the cigarette companies enjoyed what now seems like an age of innocence, and the first part of the book is a rollicking tale of the rise of one of the world's most successful consumer products.

As the book's subtitle suggests, Philip Morris figures prominently in the story. The company started life as a small tobacconist in London's Bond Street founded by the eponymous Mr Morris in 1847. It opened a New York branch in 1902, but this was bought out by US investors in 1919. From there, the US operation began its climb to supremacy – greatly accelerated by its transformation of Marlboro from a low-volume women's cigarette into a male icon.

Hucksterism was rampant in the industry's early days. The book relates how American Tobacco, the company founded by the legendary Buck Duke, pushed its Lucky Strike brand to the number one slot in the 1920s by claiming that an extra-secret "toasting" process – in reality, no different from the normal process – removed throat irritants from the tobacco. It then wrote to doctors asking them to try Lucky Strike and offering them five free cartons if they agreed it was the least abrasive brand on the market. Soon after, its advertisements proclaimed: "20,679 Physicians Say Luckies Are Less Irritating..."

At first, such stories entertain as well as inform. But the book takes on a more sombre tone when it reaches 1950, the year in which parallel studies in the US and Britain found the first evidence of a link between smoking and lung cancer. From the start, the industry refused to acknowledge the connection. In the words of one of its allies, a Chicago surgeon, Dr Max Cutler: "Simply because one finds bullfrogs after a rain does not mean it rained bullfrogs."

Soon after the pivotal point of the book is reached in a memorable quotation from Parker McComas, then chief executive of Philip Morris. Responding to the mounting health fears, he said: "If the industry leaders really believed that cigarettes cause cancer, they would stop making them." It was untrue then, and it is untrue today. But it does raise a fundamental question: if the tobacco companies are not going to stop making cigarettes of their own accord, just what should be done about the industry?

At present various groups of lawyers are trying to sue the US tobacco companies out of existence, but no one has wrung a penny out of them yet. Some anti-smoking activists argue for prohibition, but it did not work for alcohol, and no government wanting re-election would attempt it.

In the final pages Kluger cannot resist shrugging off his role as historian and looking for a possible solution. With hostility against the industry mounting, he says, it is only a matter of time before a lawsuit succeeds. Instead of fighting to the bitter end, he asks, why do the companies not do themselves and society a favour by seeking an accommodation?

Kluger suggests that Congress should give the industry a blanket exemption from all personal injury claims in return for a doubling of the tax on cigarettes and a series of measures aimed at discouraging smoking – for example, a phased reduction of tar and nicotine yields, severe restrictions on advertising, and the use of the extra tax yield to finance "quit clinics".

Probably, he says, it is too much to hope that this will ever happen. But it serves as an unusually sane conclusion to an unusually sane book.

Ashes to Ashes is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

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·LETTERS TO THE EDITOR·

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Credit where it is due

From Mr Mwanyengela Ngali.

Sir, I was surprised by Mr Karl Ziegler's remark (Letters, May 2) that the World Bank and International Monetary Fund often waived their qualifying macroeconomic demands for "political reasons" and listed Kenya as one of those countries which failed to realise such demands.

I would refer you to the statements made by the IMF's managing director, Mr Michel Camdessus, on his recent visit to Nairobi. At a news conference, Mr Camdessus gave a glowing review of Kenya's economic reforms in the past three years and said the IMF was delighted by a government economic paper – the policy framework paper – released earlier this year.

This hardly sounds like a country which had failed to live up to its responsibilities in IMF terms. Indeed, your editorial "An Africa lesson" (May 3) pointed out that the successful privatisation of Kenya Airways had demonstrated that in an appropriate economic environment "inefficient lossmaking public corporations can be turned into successful ventures, capable of attracting foreign partners".

It is surely to the credit of the Kenya government that such an environment has been created and Mr Ziegler, who apparently campaigns for debt relief for Africa countries, should occasionally give credit where it is due.

Mwanyengela Ngali,
high commissioner,
Kenya High Commission,
45 Portland Place,
London W1N 4AS, UK

In the picture

From Ms Claudia Binaghi.

Sir, Were the prices high or low ("Good prices for Impressionists", May 4/5)? Next time please choose a *better* adjective.

Claudia Binaghi,
71 West 109th Street,
Apt 5B,
New York, NY 10025, US

Limitations of US pollution goal

From Mr Mans Lönnroth.

Sir, The article on tradeable permits of sulphur emissions in the US ("For sale: a licence to pollute", May 5) should not be allowed to disguise two central issues.

First, the US goal is surprisingly limited. When compared on a per capita basis, the US emissions were in 1993 some 15 times the Japanese emissions and some 10 times the west German and Swedish emissions. The US emissions are in fact on east European levels. Present indications are that the Polish and the Czech per capita emissions levels will be below those of the US within some five years.

Second, the Swedish system of reducing nitrogen oxides is incomparably simpler than the US tradeable permits system and thus, perhaps, of much less interest to academic economists. The Swedish fee means that the energy plant-owner pays a fee to the Swedish Environmental Protection Agency for every ton of nitrogen oxide emitted. Total revenues are redistributed to the plant owners based on the amount of energy produced. Thus, plants with low emissions per unit of energy produced are net receivers while those with high emissions are net payers. Nitrogen oxide emissions were reduced by 50 per cent between 1990 and 1994.

What would Shakespeare have said of the US sulphur policy: "Much ado about nothing"?

Mans Lönnroth,
state secretary,
Ministry of Environment,
S-103 33 Stockholm,
Sweden

Trade needs stability, not tinkering

From Mr C.M. Purvis.

Sir, Your leader "World trade at risk" (May 7), shows an unhelpful touch of paranoia about developments in world trade. I believe there is currently a bigger threat to the open multilateral trading system from a rush into the ambitious new initiatives proposed in the leader – which would lead to new tensions being generated – than there is from a period of consolidation for the World Trade Organisation.

It would certainly be counter-productive to begin tinkering, less than three years after the end of the Uruguay Round, with agreements on sensitive issues which negotiators painstakingly worked out at the close of the Round, and on whose basis economic operators throughout the world have subsequently based their strategies and investment programmes.

Trade in textiles is a case in point: liberalisation is being progressively implemented according to an agreed timetable, and the acceleration of this by the European Union on a unilateral basis (as your leader proposes) would simply resurrect old conflicts which I had hoped had been buried once and for all by the Uruguay Round.

A period of stability and reflection may be less exciting than a rush into new initiatives; however, it is also, at this stage in the WTO's development, immeasurably safer for the world trading system.

C.M. Purvis,
director-general,
International Rayon and Synthetic Fibres Committee,
Avenue E. Van Nieuwenhuyse 4,
B-1160 Brussels, Belgium

Consistency key to fund management

From Mr Stuart A Fowler.

Sir, Barry Riley, in his profile in the Pension Fund Investment Survey of Gary Brinson ("US manager with balance", May 2), shows a keen ear for the sound bite, picking up Brinson's comment about being underweight in the overvalued but outperforming US stockmarket: "being too early is indistinguishable from being wrong".

Investment managers do not help their own cause when, as they often do, they pretend that they are strong enough to stand up to statistically unsound tests of their performance.

Absolute and relative market returns are mostly, like individual stock returns, random and unpredictable. To the extent that patterns of return behaviour can be identified and exploited within this context of largely efficient international markets, the ability of an active manager to do so will only be revealed by a long series of decisions over time. An active approach that can keep the proportion of errors to 45 per cent of all decisions could be a huge winner even though the absolute number of errors is high. The pension trustee needs to judge the approach, not the individual decision.

It is quite feasible that a fund could appoint two managers with very different approaches: one driven by short-term price trends (overweight in the US) and one by long-term value (underweight in the US). Provided there is enough evidence of short-term trend persistence in international market returns, the trend follower may have a good method and being overweight the US is consistent with it. If there is enough evidence of longer term mean reversion in market returns, the value investor may also have a good approach and being underweight the US is consistent with it. Consistency with a method that appears to be a right, even if not exclusively right, is the key.

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FINANCIAL TIMES

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Thursday May 9 1996

The City sans Emu

The bond markets are convinced that European monetary union (Emu) will go ahead despite the likelihood that important countries at the core will fail to meet the Maastricht convergence criteria. They are equally convinced that Britain will not be in at the outset. That belief will have been reinforced by the reservations being expressed by the governor of the Bank of England, Mr Eddie George. The City of London will thus be obliged to conduct its own *cost-benefit analysis of life* on the outside. *It* will probably conclude, rightly, that the risks are greatly exaggerated, only to be excoriated for its complacency by the pro-European lobby.

Any analysis is dogged at the outset by the lack of UK data distinguishing between international and domestic financial business. Figures for the City's various activities are also of mixed quality. And as the recent City Research Project conducted by the London Business School has shown, there is a serious lack of data on the net revenues or value added from interbank business in foreign exchange, which matters greatly in relation to Emu.

The job numbers provide a misleading indication of what is at stake. In 1991 more than 300,000 people were employed in banking, insurance and other financial services in London. This figure rises to more than 600,000 if law, accountancy and other business services are included. Clearly the 33 per cent jobs growth over the previous decade was not all in international business. But the numbers need to be seen in context.

Trading concentration

The irrevocable fixing of exchange rates, followed by the introduction of the Euro, will ultimately lead to a concentration in the pattern of trading within European markets, while making many instruments and markets obsolete. The question is what share of the subsequent dealings in business denominated in euros London would retain. The French and Germans might well wish, in establishing the infrastructure for a single monetary policy, to exclude outsiders from participation in euro-related markets wherever possible.

Yet the open market operations of the European central bank are unlikely to be particularly significant. Exclusion from a euro settlement system, on the other hand, would make it more costly for banks to operate out of London. It is impossible to tell, at this early stage, how far London would be able to muscle in on the new single money market in euros and the related derivatives trade.

Offshore incentive

That said, any move to impose reserve requirements or other restrictions on participants in the core would act as a tax on banks, which would then have an incentive to go offshore to London. Nor should it be forgotten that any protectionist move to bolster Paris or Frankfurt would penalise those continental banks which have just laid out huge sums in acquiring British merchant banks in London.

Yet in all this, it is important to recognise that the contribution of foreign exchange dealing, in terms of jobs and value added, is unlikely to very large in relation to the overall picture. Foreign exchange is a great British growth industry, but a cottage industry for all that. As for the European government bond market, this is hardly exciting business when every country is seeking to reduce budget deficits and related borrowings. The City's real international strength has anyway been in unofficial markets. Most of its fastest growing businesses such as cross-border corporate finance, international fund management and derivatives trading will be untouched by Emu.

The areas under threat from Emu are few and unimportant, especially when seen in the context of the wider economy. More likely threats to City jobs might come from increased global competition, hostile fiscal or regulatory change, or an erosion of the City's skills base. There is anyway a tendency in this debate to forget that in a flexible market economy resources can be redeployed to good effect in other sectors. There are good and bad arguments for UK participation in Emu. Invoking the supposed vulnerability of the City is one of the worst.

Two cheers for South Africa

South Africa has cause to celebrate. Yesterday's agreement on the new constitution, embodying the democratic principles which the country's main parties endorsed two-and-a-half years ago, is a remarkable achievement. A society which for 350 years was based on racial discrimination and white minority rule has painstakingly negotiated a document which attempts to strike a balance between majority rule and minority and individual rights.

Sceptics may say that this has been tried before in Africa and failed. But never in the continent's post-independence history has a constitution been so carefully crafted, and so assiduously protected by a series of checks and balances, which range from efforts to decentralise government to curbs on the power of the state through an entrenched justiciable bill of rights.

Yet in some respects it is dangerously overambitious. Few constitutions go so far in their attempts to secure citizens' rights, such as the right to a job, to food, to shelter, to healthcare and social services. Since such substantive rights cannot be guaranteed, the constitution as a whole may fall into disrepute.

The constitutional negotiations also fudged the three issues which had held up agreement: property rights, single-language schooling, and the right of employers to lock out strikers. All three leave big problems unresolved.

Still unhappy

The National party has succeeded in ensuring that there can be schools in which Afrikaans will be the main medium of instruction. In return, it has grudgingly accepted that property rights are adequately protected in the bill of rights, which guarantees owners against expropriation without compensation. Mr F.W. de Klerk, the NP leader and deputy president, is obviously still unhappy. He hinted that his party may withdraw from the government of national unity. That has understandably unsettled the markets.

Celebrations should be muted for another reason. Local government elections have had to be postponed in the province of Kwazulu-Natal because of violence between President Nelson Mandela's African National Congress and Chief Mangosuthu Buthelezi's Inkatha Freedom party. The IFP has stayed aloof, boycotting the constitutional debate. It still has the capacity to destabilise a large part of the country.

Another worry is the strained relationship between the ANC and the trade unions, its main partners in the coalition that won the 1994 elections. The unions called a one-day strike over legislation giving employers the right to lock out strikers. The final version of the constitution accepts that any change to the legislation must be with the support of the business community. Judging by the unions' critical response yesterday, the battle is far from over.

Rising crime

The list of problems besetting the ANC does not end here. Rising crime and slow employment growth, failure to deliver on promises to cut the country's huge housing backlog and illegal immigration from impoverished neighbours have all contributed to declining business confidence.

Altogether it is a formidable list of problems for an administration that took office two years ago as a government of national unity, but which is no longer unified. Inkatha has distanced itself from government, although Chief Buthelezi retains his cabinet place. The once all-powerful National party is increasingly alienated, unable to attract new blood, or to extend its electoral base much beyond its traditional white support. The result is that the country lacks an effective national opposition, as important an ingredient of democracy as the constitution itself.

The markets have already given their verdict on this unsatisfactory state of affairs. The rand has plummeted from 3.65 to the dollar in February this year to a low of 4.45, and it slid again yesterday.

While South Africa can pride itself on what it has achieved, the hardest part is yet to come: implementing the constitution, respecting *its principles*, and ensuring sustained economic growth with equity for all the population.

Drugs giant on the sidelines

Much of the pharmaceuticals industry is restructuring, but Roche is playing down talk of acquisitions, its top executives tell **Daniel Green**

It is party time at Roche, the Swiss drugs company. Roche executives have devoted this year to celebrating its centenary, complete with commemorative books, concerts and special dividends for shareholders.

The festive mood, however, is not reflected in the stock markets, with the company's share price underperforming the pharmaceuticals sector since the middle of last year.

The profitability of Roche, Europe's third largest company by market capitalisation, remains the envy of rivals. But investors fear that it may be starting to lose its pre-eminent position as competitors merge and as its rate of profit growth slows.

When Mr Fritz Gerber, chairman since 1978, addresses shareholders at next month's annual meeting, the company will almost have fallen out the top ten in the global pharmaceuticals league table by sales. It was number five in 1993.

It is also about to lose its position as Switzerland's biggest drugs producer for the first time in living memory – to Novartis, the merged company to be formed by Ciba and Sandoz, its Basle rivals.

The company achieved its market capitalisation through extraordinary growth in earnings per share, which averaged 26 per cent a year over the last five years. But much of the growth has been attributable to cost-cutting rather than sales growth which has been 22 per cent in total between 1991 and 1995.

Analysts forecast that growth in earnings per share will fall to 14-16 per cent for 1996 to 1998 – still high for the sector but no longer exceptional. In anticipation of this slowdown, a decade of extraordinary share price growth has come to an end. Between 1986 and mid-1995 the value of Roche non-voting shares – the most widely held – increased nine-fold, more than twice as much as the world pharmaceuticals sector as a whole. Since then, the shares have stagnated – underperforming the rest of the drugs sector by 10 per cent in the last nine months.

Roche has a history of growth by acquisition – it has spent SFR15bn in the past seven years including $5.6bn on Syntex, a Californian drug company in late 1994. Since the share price began to underperform, there has been a series of rumours that it was about to bid for a mid-sized company in its sector. Such a deal would allow Roche's management to boost earnings growth by cutting overlapping parts of the businesses and adding the acquired company's products to those sold by its own salesforces.

Top of the speculators' list of likely targets are Zeneca of the UK, and US companies Schering-Plough and Warner-Lambert. The first two especially would bring fast-growing new drugs to Roche's portfolio.

"Mid-sized" is a relative term in the drugs sector: buying any of these companies would break takeover records. Zeneca's market value is $20bn, Schering-Plough's $21bn and Warner-Lambert's $15bn. The last few takeover deals in the sector suggest that a premium of 30 per cent to 50 per cent is needed to make a takeover attempt work.

There is no doubt Roche could afford such sums. Its market capitalisation is more than $75bn, putting it among the top three global drugs companies.

But Mr Gerber believes the world's markets are wrong to believe that Roche must buy something big. "It's no secret that we follow the market [in drug companies] to see who might be the best fit with us, but we do not have a fetish for market share," he says. "The size of a pharmaceuticals company matters only as far as controlling the cost base. We don't need to be in the top five or 10 to be effective."

Such sentiments run contrary to the mood of much of the industry. Other chief executives, notably Sir Richard Sykes at the UK's Glaxo Wellcome, have made no secret of their willingness to make further acquisitions if they see their rivals buying market share.

But Mr Franz Humer, the cigar-chomping head of the pharmaceuticals division for almost 18 months, is even more defensive than Mr Gerber. He says there is no reason for Roche to make an acquisition.

Earnings growth will pick up again thanks to new drugs such as Cellcept, which helps to prevent transplanted organs from being rejected by the body, and Invirase, which interferes with the reproduction of the Aids virus. Analysts at London stockbroker James Capel forecast these two drugs will contribute SFr1bn a year to Roche's annual revenues of SFr14.7bn.

Roche's leadership is careful not to rule out acquisitions altogether. Under Mr Henri Meier, chief financial officer since 1985, the company has amassed cash and investments of about SFr15bn ($8bn) – SFr5.6bn net of borrowings.

But Mr Meier says: "Hostile bids are not our style. We don't like the fight." Nor is Roche interested in diversifying into drug distribution, a route taken by some rivals, such as Merck and Eli Lilly of the US and SmithKline Beecham of the UK.

Mr Gerber says that the drugs manufacturing business is already diversified enough to spread risk; antibiotics, for example, are a different business from heart drugs. Both he and Mr Humer say that any acquisitions would probably not be in areas where the company is already very strong, principally medicines used in hospitals.

Potential takeover targets are subject to a screening process to limit the risk of a deal. For example, fear of litigation has turned Roche away from female health areas, such as breast implants and oral contraceptives.

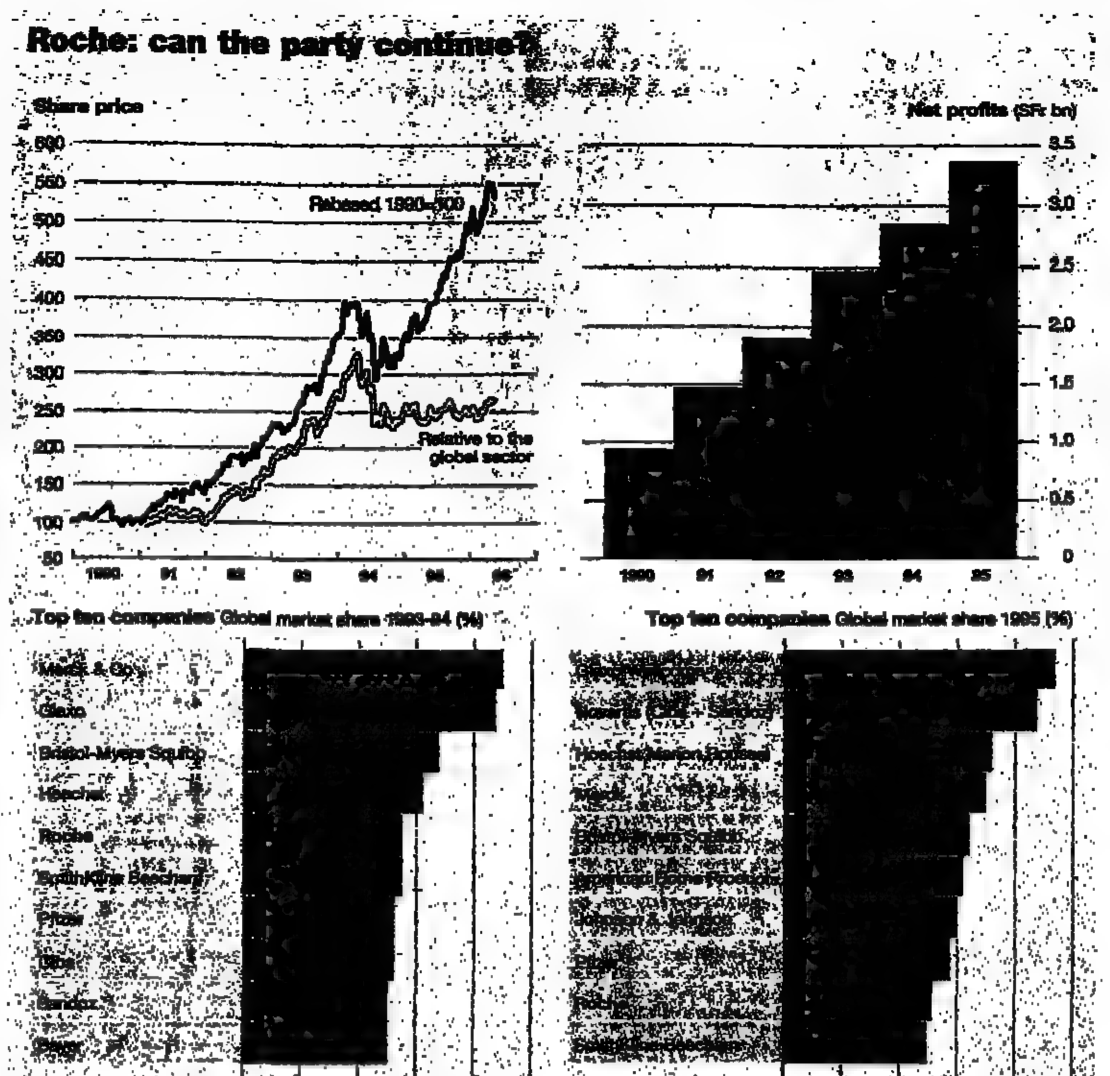
And companies with portfolios of old drugs are less attractive because of the risk of heavy competition when patents expire. Roche bought Syntex for its drugs in research, not for Naproxen, the arthritis tablet that made Syntex's fortune in the 1980s, says Mr Meier.

Mr Meier also regards bigger deals as bigger risks. Spending $20bn-$30bn – the kind of money needed to buy a Zeneca or Schering-Plough – would be very risky. "I have never done an acquisition that, if it failed, would jeopardise the existence of the company," adds Mr Gerber.

Furthermore, there is nothing wrong with accumulating cash, says Mr Meier. "Our aim is to have a cost of financing of less than 2 per cent, and we've never been able to spend as much as we could borrow at that rate."

Mr Meier likes to be a fund manager. A former Handelsbank executive board member and author of a book on Swiss capital markets, he cannot conceal his pride in the performance of the fund he manages. "We've beaten every index we can find," he says, adding that any acquisition would have to meet the same investment criteria he applies to the cash.

London-based analysts at Lehman Brothers, the stockbroker, calculate that has earned a better return for Roche in managing this capital than from its main businesses in drugs, vitamins and fine chemicals.



Sources: Ciba, Roche, Sorio, Datastream

Franz Humer Fritz Gerber

Yet Mr Meier concedes that the money spent on Syntex has not yet brought the return it would have earned if the money had been left in his hands to invest elsewhere. Indeed, with the benefit of hindsight, Roche's last few acquisitions stand out for their boldness in commercial terms rather than for the quality of their financial returns.

The Syntex deal was the first in a series of mergers and acquisitions in the industry. Roche was also the *first* pharmaceutical group to take a multibillion dollar stake in a biotechnology company when it paid $2.1bn for 60 per cent of Genentech in 1990. Today Genentech barely makes a profit.

And in 1991 Roche led the field by spending $300m on a technology that amplifies very small samples of genetic material and is used for diagnosing disease. Since such acquisitions bolster the group's research and development rather than lead directly to products, the return on the investment is hard to measure.

Mr Gerber remains enthusiastic about the possibility of adventurous deals. He says that rather than launching a bid, Roche could consider large-scale asset swaps with rival drugs companies, something not attempted in the restructuring of the world pharmaceutical industry in recent years. He does not elaborate, but Roche has businesses in vitamins and specialist chemicals that could rationally be separated from the bigger prescription medicines operation.

Mr Gerber all but rules out mergers such as that at Sandoz and Ciba. "The Sandoz-Ciba merger is a way for them to get rid of non-core businesses. Roche did that years ago," says one senior Roche executive.

Roche executives like to give the impression that their future is in their hands. Their strategy, they say, is unaffected either by the ferocious restructuring elsewhere or by short-term underperformance in their shares. As Mr Humer puts it: "We like to set the benchmarks."

They have one great advantage over their counterparts at rival companies. A majority of voting shares in Roche is held by the descendants of Fritz Hoffman, who founded the business in 1896.

"We make every effort not to disappoint the analysts," says Mr Gerber. "But that's their world, not ours. We have the luxury of family ownership."

Whatever Roche does next, it will probably not have been determined by equity analysts or worried investors.

• O B S E R V E R •

Laugh? We nearly did

■ Hans Tietmeyer, the formidable president of the Bundesbank, was in jocular mood the other night, perhaps feeling the need to counterbalance a dry-as-dust speech by Alan Greenspan, head of the US Federal Reserve.

The occasion was Tuesday's annual banking dinner in Frankfurt. Tietmeyer waded in with an apocryphal story about a computer which the European Monetary Institute – forerunner of the planned European central bank – had been forced to take out of service.

When asked which central banker should be president of the ECB, the computer answered: 'Alan Greenspan'. The computer argued that Greenspan had experience of a large and extended currency area, and first-hand knowledge of conducting monetary policy in many different states.

But it was the third reason which tipped the scales against the computer. It said that Greenspan was further qualified because monetary union was intended to foster political union in Europe. A central banker from the US, whose states have been long united, would best symbolise this objective.

That, said Tietmeyer, was why Britain had requested that the computer be removed. Ho ho ho.

Tietmeyer raised another chuckle from the assembled German and foreign bankers with a tongue-in-cheek elaboration of why the ECB needed the monetary instruments so favoured by the Bundesbank: monetary targeting had worked well in Switzerland, minimum reserve requirements were doing fine in Italy and the benefits of discount credit could be studied in Austria. "The European central bank does not have to be oriented to Germany; one can find positive results all over Europe."

Emu, like communism, stimulates the production of jokes.

Slim pickings

■ Many would love to see Sir James Goldsmith lose his one and only parliamentary power base – his anti-federalist group in the European parliament. But recent press suggestions that the Europe of Nations Group is about to disintegrate may be premature.

The group lost one of its members – French MEP Philippe Martin – two months ago, reducing its numbers to 18, the minimum required to qualify as a group in the European parliament if the members come from three member states. MEPs from Denmark, the Netherlands and France belong to the ENG. Despite this narrow margin, ENG members are showing no signs of panic; they wouldn't see loss of group status as a devastating blow.

But a blow of sorts, nonetheless. Lone MEPs operate almost as outlaws in the parliament since group status brings with it a raft of privileges. Without the ENG, Sir James, and the other 17, would not be able to introduce resolutions for emergency debate, call for roll-call votes, put urgent questions to the Commission and the Council or wrap up debates. So how far might his enemies go to ensure Sir James's numbers drop below the obligatory 18?

Watt's up in India?

■ If India's protracted election was not enough to tire New Delhiites of politicians, the Indian Express newspaper has found another good reason, as temperatures creep above 40 degrees and Delhi's annual power-cut season begins.

Just days after Delhi's electricity authorities began two-hour power cuts everywhere in Delhi – except the splendid Lutyens-bungalowed VIP belt, where most MPs live – comes news that several members of the outgoing parliament have failed to pay their electricity bills. The total outstanding debt is equivalent to $882,352, with top defaulter being Ram Vilas Paswan, a Janata Dal MP from Bihar, who owes a cool $27,352. The Express reports the New Delhi Municipal Corporation being in despair – having offered MPs any number of sticks and carrots to persuade them to pay their huge bills.

All to no avail. Their excuse? Well, it's their servants' fault of course. Paswan has 13 of them living at his residence, other MPs have more. And they do insist on leaving the lights on.

Slack timetable

■ Hugh Arbuthnott, Britain's ambassador in Copenhagen, was called on to exercise diplomacy in the cause of Anglo-Danish trade this week. He'd assembled the cream of Danish business to a dinner to meet Anthony Nelson, the UK trade minister. Unfortunately, the vagaries of British politics called for the minister's presence in London, to keep the government from defeat in the House of Commons.

"It's a case of Hamlet without the prince," the ambassador put it apologetically. The Danes took it well; only one wondered aloud about the British system of government, which prevents ministers from doing their job: "What a way to run a railway."

Squeaking

■ It seems there's a move to start using management consultants instead of rats in laboratory experiments. Lab technicians prefer the consultants to rats because there's no danger that they will form a close relationship with them.

Financial Times

100 years ago

Another tyre company

Another tyre company issues its prospectus to-day, with which Mr. Hiram S. Maxim is closely associated as Director and technical adviser. The prospectus states that the tyre is in no way an infringement of the Dunlop patent. Mr Maxim states in the prospectus that he considers the Ixion the most suitable tyre for horseless carriages, a branch of industry in which he is specially interested, and the company has acquired three of his own patents. *[US-born Maxim was an inventor who in the 1880s developed the first fully automatic machine gun. He took British citizenship in 1901].*

50 years ago

Canadian Pacific Railway

Given the urgent need for maximum commercial activity, Mr. D.C. Coleman, the chairman, does not expect that the decline in traffic experienced so far this year by the Canadian Pacific Railway will be carried to any drastic lengths in the immediate future. He is very concerned, on the other hand, at the tendency for operating costs to overhaul gross receipts. Last year, only 11 cents out of every dollar was left after meeting working expenses, against 22 cents after 1918, while the upward pressure on both wages and raw materials persists.

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FINANCIAL TIMES
Thursday May 9 1996

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English soccer organisers hit by ticketing scandal

Association director resigns as police probe sales for Euro 96

By William Lewis, Jimmy Burns and Simon Kuper in London

The Football Association, which runs English soccer, has been rocked by a ticket scandal just weeks before launching the European championships – the biggest sporting event in the UK for 30 years.

Mr Trevor Phillips, the FA's commercial director, has resigned and police are investigating ticket sales for Euro 96.

Mr Phillips oversaw the FA's organisation of the championships, but officials insisted last night that his unexpected departure would not affect the tournament.

Mr Glen Kirton, the FA's director of Euro 96, said that the FA was now acting with the police. "Jointly, and with the help of the official Euro 96 ticket distributors, we are looking into any abuses and taking appropriate action in the interests of security," he also said.

The FA said a covert operation similar to the one that it mounts at FA Cup finals had been planned in connection with Euro 96 tickets. "Following discussions with the police, we're now acting with them," Mr Kirton said. The investigation is said to be focusing on corporate hospitality tickets, not tickets sold to the public.

Mr Phillips, who had been with the FA for four years, is believed to be overseas and was not available for comment.

His departure from the FA follows police raids in London on April 30, including the offices of a company in which former England cricket captain Bob Willis is involved.

Scotland Yard's football intelligence unit raided the premises of National Sporting Club, a hospitality and social events company, near Piccadilly, and arrested a woman. Mr Willis is a non-executive chairman and his brother David is a director of the company, which has no connection with a similarly named casino.

Raids were also carried out on 12 other premises, mainly ticket outlets in London, with a further 17 arrests. Documents were also seized.

The raids uncovered information regarding the allocation of Euro 96 tickets which the police believe to be in breach of the FA's rules. The police have also been told that Mr Phillips authorised the allocation of corporate hospitality tickets to several companies.

Mr David Willis claimed last night that the company had got the tickets through Mr Phillips.

"If it is made known to you by one of the senior directors at the FA that a very small number of selected organisations may be able to access authorised tickets directly, then naturally that is the most sensible route to go," he said.

Mr Willis said that he thought he had been dealing "with the absolute pukka authorities".

The National Sporting Club is waiting to hear whether it will be granted the tickets it obtained. "We do know that there are a number of companies – probably 20 to 30 – in the same boat as us," Mr Willis said.

Two other ticket companies, Sportsworld and Keith Prowse, said yesterday that they thought they had bought the exclusive hospitality rights to Euro 96 from the FA. Mr Willis said that Keith Prowse "might reasonably ask the FA for some explanation" as to why tickets had been sold to other hospitality companies.

Separately, the FA announced yesterday that ticket sales for Euro 96 had reached almost 1.2m, representing 85 per cent of the tickets available.

Arch Deluxe joins Big Mac in US burger war

By Richard Tomkins in New York

For years, McDonald's has used the clownish figure of Ronald McDonald to draw youthful customers to its restaurants. Now, Ronald is growing up: he aiming for the adult market.

In what seems likely to be the company's biggest fanfare since the launch of the Big Mac in 1967, McDonald's is today taking over New York's Radio City Music Hall to unveil its latest weapon in the US burger wars – a quarter-pounder called the Arch Deluxe.

On the face of it, the new burger, named after the McDonald's golden arches motif, seems much like any other.

But McDonald's researchers at the company's Hamburger University in Oak Brook, Illinois, have been working for months to come up with a burger formula that will tempt adults away from the rival Burger King and Wendy's chains.

Wall Street analysts say that although McDonald's dominates the US burger market by virtue of its sheer size, consumer surveys consistently show that adults rank the rival Burger King and Wendy's chains higher in terms of food quality.

Burger King, a subsidiary of Britain's Grand Metropolitan, has been doing particularly well with its Whopper, a burger that is grilled instead of fried.

Now, McDonald's is fighting back by going up-market with its Arch Deluxe. The burger aims to tap the US appetite for the "blt" formula by topping the burger with peppered bacon, lettuce and tomato.

To give the burger a home-made appearance, leaf lettuce will be used instead of shredded lettuce, which looks processed. A cocktail of other toppings will include Dijon and stone-ground mustards and mayonnaise – as if the refrigerator had just been raided – and the whole will be enclosed in a new kind of potato flour bun.

At first, the burger will only be available in North America. Prices will vary between geographical markets, but it is expected to sell at $3.19 in New York. Without the optional bacon, it will sell at $2.99, the same price as a Big Mac.

Ms Stacy Jamar, an analyst at Oppenheimer & Co, said McDonald's and Burger King had previously been fighting the burger war by competing on price.

"Now they are pushing it to a 'my burger tastes better than your burger' kind of thing," she said.

Burger King brushed off the move. "Clearly, the competiton is reacting to our success," it said.

Wendy's was equally dismissive. "The end result is down to taste," it said. "We are not overly concerned."

THE LEX COLUMN

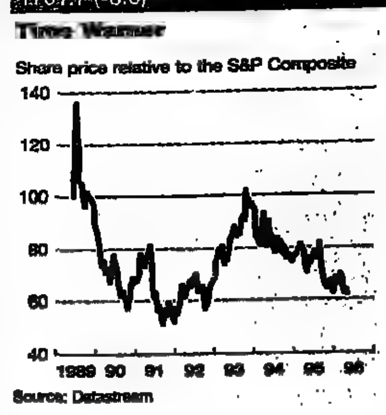
Time out

Rumours that the US Federal Trade Commission is minded to block Time Warner's $7.5bn takeover of Turner Broadcasting System are hardly surprising. A simple combination of Time Warner and Turner might just pass muster. The snag is that Tele-Communications Inc (TCI), the largest US cable operator, will end up with a 9 per cent stake in the enlarged Time Warner in exchange for its Turner shares. If Time Warner and TCI then operated as a single bloc, their joint dominance of both cable channels and networks would allow them to dictate terms in US pay-television. Rival channels and networks could get raw deals.

TCI's pledge to place its shares in a trust, controlled by Mr Gerald Levin, Time Warner's boss, is fooling nobody. Though TCI would not have votes, its economic interests and Time Warner's would still be aligned. Nor is there any love lost between Washington and Mr John Malone, TCI's chief executive who was once likened by Vice President Al Gore to Darth Vader, the evil Star Wars genius.

That said, it should be possible to alter the deal to meet Washington's concerns. The best option would be to give Mr Malone cable channels for his Turner shares; TCI and Time Warner would then have no economic interests in common. An alternative would be for Time Warner to sell its cable networks; US West, the telecoms group which already has a minority stake, is clamouring to buy them. Whether Mr Levin, who has staked his credibility on the logic of combining programming and distribution, could stomach the consequent loss of face is another matter.

FT-SE Eurotrack 200: 1701.7 (-8.6)



Source: Datastream

Ecco/Adia

The merger of Ecco of France and Adia of Switzerland looks like a good match for the personnel services companies. Both have international reach, but their relative strengths are different. The deal will put the merged entity on a par with world market leader Manpower, giving it extra clout in the expanding global market for personnel services, worth around $80bn last year.

This is the real rationale for the deal, rather than the relatively paltry cost savings, estimated at SFr20m annually and a one-off tax break. Large multi-national companies can outsource their personnel departments to such service providers, which offer not only temporary and permanent placements but also training, evaluation and even payroll processing. The new company's ability to attract such business will certainly be enhanced by its broader geographic presence. And given the trend towards flexible working, it appears the right time to add some extra muscle.

But while the strategy looks sound, there is room for doubt about the execution. The chairmen of Ecco and Adia will take it in turns to head up the new company. Mr Philippe Foriel-Destezet of Ecco will do the job for a year before handing over to Mr Klaus Jacobs of Adia. This solution looks highly unsatisfactory. There are important strategic decisions to be made, such as how to deal with branding, particularly in markets where both brands are strong. Even if the arrangement remains amicable, it is hardly likely to forge a common vision for the new company. And as with all relay races, the danger is that someone might drop the baton.

US/UK power

The US power companies' international buying spree – notably in Britain – is great news for shareholders in the targets. The buyers' shareholders, by contrast, should be asking some tough questions. Bids are fun for utilities' managements and they are also in fashion – both are good grounds for doubting whether they make sense. Shareholders should start by dismissing airy talk of globalisation; in an industry whose product is consumed locally, this is waffle. Nor is there much in the proposition that US utilities, facing deregulation, need experience of markets which have already been opened to competition. Buying in this sort of expertise may be a good idea but there is no need to buy entire companies.

A more hard-nosed argument is that US utilities can borrow cheaply; the proceeds can then be used to generate higher returns abroad than utilities can earn under a highly restrictive regulatory straitjacket at home. At first sight this notion sounds seductive – it may, for instance, be an easy way to enhance earnings – but it is flawed. For one thing, non-US regulatory systems may allow returns that beat the cost of capital for a time, but they will not do so for ever. For another, even if cash invested abroad can deliver impressive returns, it is still more efficient to hand the cash back to shareholders and let them do the investing. Using it to buy an entire company only makes sense if the buyer can credibly squeeze enough additional value from the business to offset the need to pay a premium for control. There has been precious little evidence of that in practice.

J. Sainsbury

Sainsbury's decision to introduce customer loyalty cards may appear to have been made in a rather "oh, all right then" spirit. But the management's willingness to admit to a change of heart at least counters impressions of complacency. Still, the fact remains that the group has been slow to react to innovations by rivals – Tesco and Safeway already operate card schemes. There is also a worry that the loyalty card will add to Sainsbury's cost base and spark greater price competition, ultimately leading to a further margin erosion.

There are some bright spots. Homebase has shown an impressive ability to buck the dire do-it-yourself market, in the light of which the decision to bring forward the conversion of Texas stores to its Homebase format looks sensible, despite the extra cost. The group's growth prospects in the US are another comfort. Shaw's is firing on all cylinders, and this may encourage management to press ahead with a buy-out of the majority of Giant Food or explore other acquisitions.

But there is no hiding the fact that the wheels on Sainsbury's supermarket trolley are still looking wobbly. Like-for-like sales growth lagged at a paltry 2.6 per cent last year, and aggressive offers since the financial year-end have only edged that up to 3 per cent. Sainsbury could well be on the brink of a turnaround, but it still has everything to prove. And even after its dire market performance last year, its shares are still on a premium to the sector. Better margins may not be enough to justify this, given its other problems.

Additional Lex comment on Whitbread, Page 23

Chirac to reassure Kohl over planned French weapons cuts

By Michael Lindemann in Bonn and David Buchan in Paris

Mr Jacques Chirac, the French president, will tomorrow reassure Mr Helmut Kohl, the German chancellor, that planned cuts in weapons procurement will not endanger military co-operation.

The two leaders will meet in Bonn at a working dinner in an attempt to ease strains over the impact of French defence reforms.

Next Monday the French cabinet is to due to endorse a five year military procurement programme for 1997-2002, amid fears that cuts will bear heavily on joint projects, particularly in helicopters, with Germany.

Paris has been reassuring Bonn in the wake of complaints from Mr Volker Rühe, Germany's defence minister, that he was not adequately consulted before Mr Chirac announced in February he would phase out French conscription, among other defence cuts.

At the time, Mr Chirac promised that his reforms would not damage France's co-operation with Germany in their joint Eurocorps, nor its involvement in the Tiger and NH-90 helicopter programmes with Bonn.

But there has been growing speculation in Paris that France will reduce its orders for Tigers and NH-90s in its 1997-2002 programme. This has led to German demands for the programmes to be "rebalanced" in Germany's favour.

Mr Jean-Francois Bigay, president of Eurocopter, which is 70 per cent owned by Aérospatiale and 30 per cent by Daimler-Benz Aerospace (Dasa), confirmed last week that the German authorities had requested a recalculation of workshares on the Tiger programme.

According to German press reports, Germany will take 212 Tigers while France, which had planned to buy 215, will now purchase less than 100. The Tiger is a purely Franco-German project, while the NH-90 programme involves other Nato allies.

The Germans are also concerned that France has said it does not have enough money to go ahead with the Future Large Aircraft, a new generation of military transport aeroplane which the two allies had been planning to develop and a project they are also hoping to persuade Britain to join.

French officials say that while France's new professional army will be nearly 40 per cent smaller than the current force, it should have almost as much firepower as the present force. But the new 1997-2002 military programme places a tighter overall cap on equipment spending.

Mr Chirac saw the Tiger and NH-90 in action last Friday when he attended French army manoeuvres in southern France.

US groups team up for 'super-jumbo'

Continued from Page 1

aircraft manufacturers to nominate one engine maker for each new aircraft.

"Working together, Pratt & Whitney and GE can bring the talents of both companies to this joint venture to give our airline customers the best possible value," Mr Karl Krapek, president of Pratt & Whitney, said.

Airbus Industrie, the European manufacturing consortium, has already nominated GE as the engine maker for its own, extended A340.

The stretched A340 will carry 370 passengers.

Airbus has also said it wants to begin work by the end of next year on the A3XX, a new 550-seat aircraft to compete with the Boeing 747-600.

Airbus has said it expects the A3XX to be powered by existing engines.

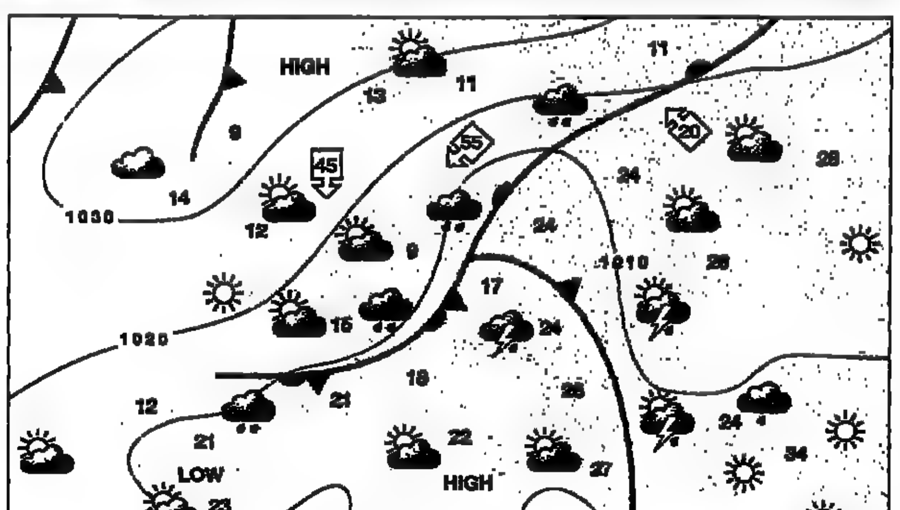
FT WEATHER GUIDE

Europe today

High pressure will bring settled conditions with widespread sunshine over most of north-western Europe. Southern France will be cool with a fresh northerly wind. An area of low pressure will cause heavy cloud and rain over a wide area, from the Pyrenees through to the western Alps, across northern Germany and into southern Scandinavia. Thundery showers will develop along the eastern edge of the rain band. The Iberian peninsula will be unsettled, with cloud and rain on the north coast. Eastern and south-eastern Europe will be warm and summery with some thundery showers, especially over the Balkans.

Five-day forecast

The east and south-east will remain warm with thundery showers. Some of the warm air will be drawn towards the north-west as low pressure moves from the Alps towards the Balkans, and thundery showers and sunny spells will occur near the low pressure area. Strong easterly winds will develop over southern Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
Abu Dhabi	sun	41	Beijing	sun	25	Caracas	cloudy	29	Faro	fair	20	Madrid	fair	20	Rangoon	cloudy	32
Accra	cloudy	30	Belfast	fair	12	Cardiff	sun	13	Frankfurt	shower	12	Majorca	fair	21	Reykjavik	rain	9
Algiers	shower	20	Belgrade	fair	27	Casablanca	shower	21	Geneva	rain	15	Malta	fair	23	Rio	fair	26
Amsterdam	fair	12	Berlin	rain	11	Chicago	thund	25	Gibraltar	shower	21	Manchester	sun	10	Rome	fair	22
Athens	sun	27	Bermuda	fair	22	Cologne	shower	13	Glasgow	fair	12	Manila	cloudy	33	S. Frsco	fair	21
Atlanta	fair	31	Bogota	cloudy	19	Dakar	fair	27	Hamburg	rain	9	Melbourne	fair	20	Seoul	fair	23
B. Aires	fair	22	Bombay	sun	33	Dallas	cloudy	31	Helsinki	fair	12	Mexico City	fair	22	Singapore	cloudy	32
B.ham	sun	11	Brussels	cloudy	13	Delhi	sun	40	Hong Kong	cloudy	27	Miami	fair	29	Stockholm	fair	14
Bangkok	shower	38	Budapest	fair	25	Dubai	sun	40	Honolulu	fair	29	Milan	shower	18	Strasbourg	rain	12
Barcelona	rain	19	C.hagen	rain	12	Dublin	fair	11	Istanbul	sun	24	Montreal	fair	21	Sydney	shower	21
			Cairo	sun	34	Dubrovnik	fair	25	Jakarta	fair	32	Moscow	shower	23	Tangier	shower	20
			Cape Town	fair	22	Edinburgh	cloudy	10	Jersey	sun	10	Munich	rain	14	Tel Aviv	fair	27
									Karachi	sun	37	Nairobi	fair	26	Tokyo	cloudy	19
									Kuwait	sun	36	Naples	shower	24	Toronto	cloudy	24
									L. Angeles	fair	24	Nassau	fair	29	Vancouver	fair	13
									Las Palmas	fair	23	New York	rain	17	Venice	fair	19
									Lima	fair	24	Nice	shower	21	Vienna	fair	23
									Lisbon	fair	20	Nicosia	sun	34	Warsaw	thund	23
									London	fair	12	Oslo	cloudy	13	Washington	thund	25
									Lux.bourg	cloudy	11	Paris	sun	15	Wellington	fair	13
									Lyon	shower	16	Perth	shower	31	Winnipeg	cloudy	10
									Madeira	shower	20	Prague	thund	16	Zurich	rain	12

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March 1996

air europe

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 9 1996

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LEGAL DEFINITIONS
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LAWYERS FOR BUSINESS

IN BRIEF

Scania falls 21% despite sales rise

Scania, the Swedish truckmaker floated in New York and Stockholm last month, blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits. Pre-tax profits slid to SKr1.1bn ($161m) despite increased vehicle sales, barely matching market expectations. Page 18

Hochtief up at DM137m for year
Hochtief, the leading German construction group, reported a 7 per cent improvement in net profits to DM137m ($90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year. Page 19

Schering sees 'double-digit' growth
Schering, the Berlin-based pharmaceuticals company, revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m ($86.1m). Page 19

SA banks warn despite progress
First National Bank and Nedcor, the South African banking and financial services groups, reported solid growth for the six months ended March 31. However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates in the wake of the recent sharp falls in the rand. Page 20

Westpac divests Victoria operations
The shake-out in Australia's banking sector took a fresh twist when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently acquired Challenge Bank subsidiary to Bank of Melbourne. Page 20

Berkshire lifts size of offer
Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B-share offer for the third time, in an attempt to meet all demand for the shares. The issue, which was due to be priced after the New York market closed last night, was put up from 350,000 to 450,000 shares. Page 21

Sony charts course for success
Sony, the consumer electronics group which celebrated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment. Page 22

Sainsbury's 22-year run ends
J. Sainsbury announced its first fall in underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card. Page 23

Whitbread plans further spending
Whitbread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this year to help it sustain profits growth which is among the best in its sector. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Goldschmidt	520	+	16
Hochtief	594	+	18
Rheinmetall Brh	236	+	7
Wella	780	+	15
Falls			
Bil & Berger	595	–	9.5
Schmalbach Lub	232	–	[illegible]
NEW YORK ($)			
Rises			
Associates Fst	33¾	+	4¼
Diana Corp	57⅞	+	9¾
Nova Corp	28½	+	9½
Falls			
Delta & Pine	44½	–	2¾
First USA Pay	37½	–	[illegible]
Quickturn	49	–	9½
LONDON (Pence)			
Rises			
Sun Carter	93	+	9
Wetherspoon	955	+	60
Falls			
Emeris	29	–	5
Ramsdens (H)	383	–	[illegible]
Stakis	116	–	11
Tilon	124	–	13
TORONTO (C$)			
Rises			
Arequipa Res	19.85	+	0.95
[illegible]	8.3	+	0.55
Falls			
Clearnet Comm	26.5	–	1.5
Biovail Corp	36.75	–	2.65
Fulcrum Tech	46	–	3
Softkey Softwr	35.6	–	2.15
TOKYO (Yen)			
Rises			
Hattori Seiko	1010	+	108
Marudai Food	808	+	31
Pioneer	2350	+	110
Yuasa Corp	730	+	38
Falls			
Janome Sewing	523	–	42
Yomiuri Land	922	–	47
HONG KONG (HK$)			
Rises			
Bossini Intl	1.04	+	0.08
Island Dyeing	7.85	+	0.35
Playmates Toys	2.25	+	0.15
QPL Intl	8.15	+	0.3
Tingyi	2.25	+	0.075
Falls			
Dcil	5.6	–	0.4
BANGKOK (Baht)			
Rises			
Boutique New	35.75	+	6.3
SK Garment	18.75	+	[illegible]
Tipco	33	+	2
Falls			
Kolthorn Kirby	52	–	6.5
Nat Petro	41.75	–	3.0
Surapon Foods	65.5	–	7.0

Paris closed. New York and Toronto prices at 12:30.

Ericsson rise dismisses mobile fears

By Hugh Carnegy in Stockholm

Ericsson, the Swedish telecommunications group, shrugged off worries about prospects for the world's mobile telephone industry by reporting a 28 per cent rise in profits in the first three months and its 18th consecutive quarterly increase in orders.

The world's biggest supplier of mobile telephony equipment said pre-tax profits rose from SKr1.2bn at the same stage last year to SKr1.55bn ($227m), mostly because of a 36 per cent jump in turnover by its mobile products division, the largest in the group. Earnings per share rose from SKr0.92 to SKr1.09.

The company warned that the spectacular rates of growth in global mobile telephony – there was a 60 per cent expansion last year – had levelled off slightly, reflecting slower growth especially in the US, the biggest single market.

Ericsson adjusted upwards only marginally its forecast for the number of global mobile telephone subscribers by the end of the year 2000 to 360m compared with the 350m it foresaw a year ago. There were 86m worldwide users at the end of last year.

The results indicated that Ericsson, which claims 40 per cent of the world's mobile subscribers are connected to its systems, has not been as hard hit by recent trends as some investors have feared. Ericsson's most-traded B share rose SKr1.50 yesterday to close at SKr144, despite a 0.5 per cent general fall on the Stockholm bourse.

The slower growth path, increasing competition and tumbling prices for mobile handsets had undermined investor confidence in Ericsson and its rivals Motorola of the US and Finland's Nokia in recent months. Nokia reports its first-quarter results today, having already warned of a weaker first half performance.

Ericsson group sales rose 14 per cent to SKr22.6bn, driven by a surge in mobile division turnover from SKr10.2bn to SKr13.6bn. Order bookings rose 11 per cent to SKr28.7bn. The company does not report divisional profit figures.

Ericsson said the sales figures suffered from the higher value of the Swedish krona against the same period last year. It said mobile division sales rose by 50 per cent in dollar terms.

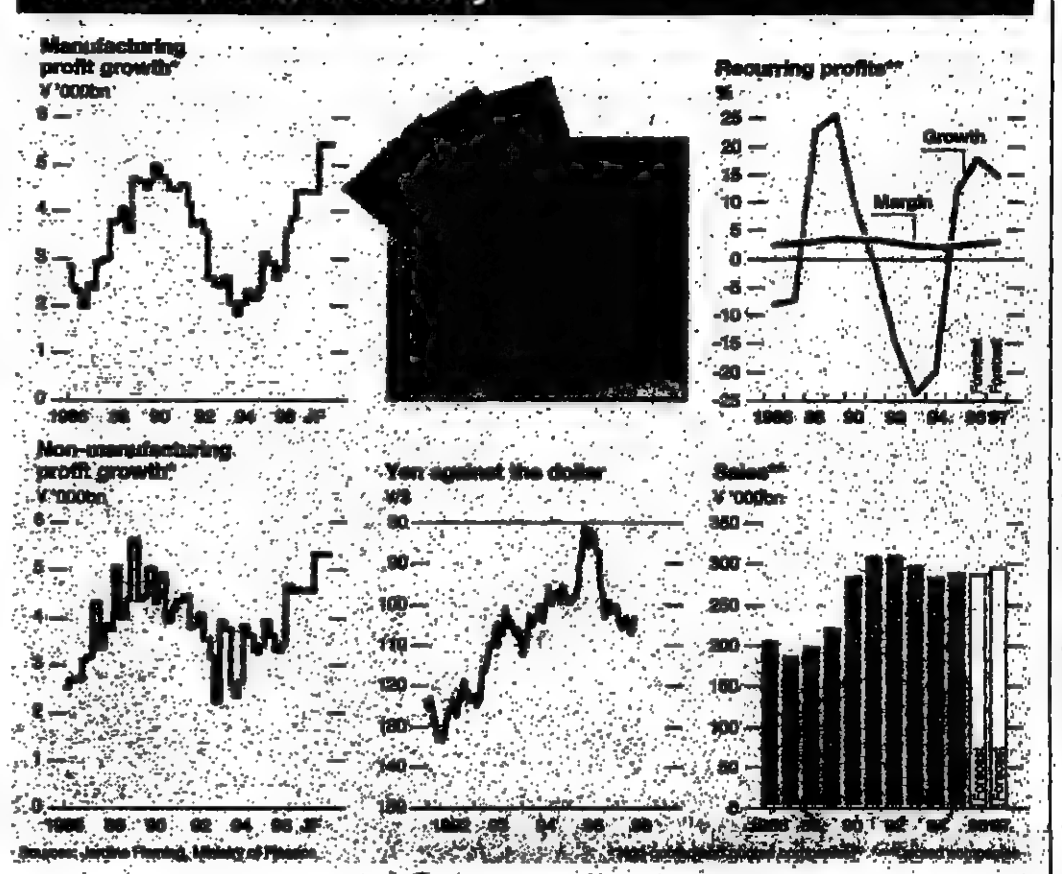
Mr Lars Ramqvist, chief executive, said the year had got off to a good start but added: "We are prepared for sharply increased competition." He said the company was stepping up its efficiency drive, which has centred on its fixed telephony division.

Fixed telephony sales dipped from SKr6.8bn to SKr4.4bn in the period and Mr Ramqvist said orders were also down, reflecting reverses in China and price pressures throughout the industry. The division has shed 3,000 workers over the past year, while the mobile division has expanded staff numbers rapidly.

Exceptional charges could offset companies' best annual results for seven years

Secrets that could wither Tokyo's corporate display

Another bite at the cherry



The big question in the Tokyo capital markets is whether the Nikkei's rise last month to a four-year high – from which it has fallen slightly – will prove as ephemeral as cherry blossom or as well rooted as a tree.

The answer will become clearer over the next month when more than 1,300 Japanese companies report what will be, according to their estimates, their best annual results for seven years and make profits forecasts for this fiscal year to next March.

Cherry blossoms clung to the branches for longer than usual this year – and the earnings season too is expected to show staying power, proof that a cyclical recovery is well under way. But there could also be disagreeable surprises, as companies make use of the upturn to pay off hitherto hidden liabilities.

The top 400 companies will report an average 15.9 per cent increase in non-consolidated recurring profits, before tax and extraordinary items – excluding financial companies – up from an 8.7 per cent rise in the previous year, estimates Nomura Research Institute. Yamaichi Research Institute is forecasting a 17.4 per cent average profits rise for all companies quoted on the main market.

Add corporate Japan's fast-expanding overseas subsidiaries, built up to escape their hard currency and take advantage of emerging east Asian markets, and the top 400 companies' consolidated profits are forecast by NRI to rise 25 per cent.

That excludes banks, which will report record losses this year because of their decision to take heavy write-offs of uncollectable debts. With banks included the overall non-consolidated profits increase comes out at a modest 3.5 per cent.

These figures are well known and reflected in share prices. What will really count in the reporting season will be any changes companies make in forecasts for the current year and any surprise write-offs they announce for the past year. Hopes are high among Tokyo stockbrokers, whose forecasts for this year's profits increase vary from 15 per cent at NRI to 30 per cent by Dai-Ichi Life.

Those forecasts will in part be based on the factors, revealed and hidden, behind last year's performance. All companies will have benefited from the strengthening of Japan's economic recovery. Gross domestic product grew at its fastest rate for five years at the end of 1995, and the consensus of economists in Tokyo is that it will rise by 2.4 per cent this calendar year.

However there is a limit to the extent to which that growth is feeding through to the profits of industrial companies, which dominate the stock market. The bulk of growth in domestic demand appears to be concentrated on services and housing.

Consumer spending remains sluggish. The rise in average sales, around half a percentage point, expected for last year is forecast to rise to just under 3 per cent this year, way below the records of the late 1980s.

Consumer electronics companies in particular were wrong footed by the patchy nature of the recovery. They built up stocks towards the end of the year in anticipation of a strong rise in consumer spending, which proved disappointing.

One reason for Japanese companies' sluggish sales growth is that this recovery has received less help from export sales than previous upturns, because of slow economic growth in the US and Europe. The prime illustration of that is the weakness of US semiconductor demand, for which Japanese chip producers' results will be studied closely.

One factor in a brighter year for many Japanese companies will be the dollar's rise against the yen, by nearly 32 per cent from a crippling all-time low in April last year.

This has lifted exporters' price margins and softened the price competition from foreign imports to Japan. Trading companies' export businesses have been helped by the yen's fall. But the weaker yen has been bad for food and paper companies, which depend on imported materials.

Many groups, especially in the car, heavy machinery and shipbuilding industries, will point to the benefit of several years of patient cost cutting as evidence that the profits recovery is soundly based.

Wage rises in the past two years have been held at the lowest in half a century and labour costs have been constrained. This plus large companies' traditional tactic of obtaining price cuts from suppliers and increasing procurement from cheaper suppliers abroad have helped bring down break-even points.

But bears in Tokyo point to a number of negatives which could slow profits recovery.

One is the extent to which companies' success at labour cost cutting might continue to damp domestic consumer demand. The results season is unlikely to throw much light on consumers' mood. But it might provide clues to two other risks to the profits upturn highlighted by Mr Andrew Smithers, a London-based economist.

One risk is that most Japanese companies' pension schemes have yet to adjust to the fact that a fast-ageing demographic profile means they will have to pay future pensioners more than is funded by the current level of contributions.

On top of this, Mr Smithers is convinced that many companies have yet to make heavy write-offs for equipment scrapped during the recession. Corporate investment in new plant is surprisingly high, at 17 per cent of gross domestic product – about the same as in 1987 – and yet production capacity has fallen, he points out. The combination of the two suggests that the rate at which old plant is being discarded has risen. This should be good for profits in the long term, but the inevitable write-offs have not yet been seen.

Nobody doubts that Japanese companies will report generally upbeat results with a good outlook for the year ahead. But the risk is that exceptional charges will hit earnings and make Japan's historically high price earnings ratios even more demanding than they already are. The coming results will throw a harsher light on the constraints to the profits recovery and could shake a few companies' share prices in the process.

William Dawkins

A long march for small investors in Eurotunnel

By David Owen in Calais

"If the bankers want to eat our money, we will eat the bankers."

There was no doubting the feeling among Eurotunnel shareholders who yesterday descended upon Calais to protest at what they see as the shabby way they have been treated.

Mr Marc-Antoine Forest, 76, author of the above threat, had left Montpellier in the south of France on Tuesday evening to attend yesterday's protest. He had not slept. He had bought his first 600 shares in the Channel tunnel operator, "a bit out of sentiment", for FFr37 a share. Their present price in Paris is FFr5.85.

But Mr Forest's predicament was far from the worst among the 300 Eurotunnel investors – and two white poodles – who boarded the 9.38 am *train à grande vitesse* from Paris Nord to Calais at a cost of FFr380 a ticket.

Mr Emile Azema had paid "around FFr100 a share" for his shares and had been forced to sell some for FFr20. "Lots of working people put their savings into this project. They didn't have money to throw out of the window," he said.

Yesterday's protest was organised by two separate shareholder groups formed to protect the interests of Eurotunnel's predominantly French and increasing angry band of small investors.

Shareholders protest at their treatment Picture: Malcolm Watson

The investors see themselves as the principal victims of the sorry financial state the Channel tunnel operator. But they believe attempts to agree a financial restructuring of the company give them a certain amount of leverage. This is because, they say, any such move must be approved by shareholders.

The two groups yesterday set out their own proposals, calling for Eurotunnel's more than 200 banks to write off 30 per cent of the group's FFr68bn ($13.2bn) debt, and the creation of FFr28bn of bonds, convertible into shares at a unit price of FFr30.

Mr Maurice Page, a leading light in one of the shareholder groups – the Eurotunnel Shareholders' Association – says agreement of such a scheme would produce a "renewal of confidence", prevent the banks from losing out and enable shareholders to recoup some losses.

If the banks do not agree to a FFr30 conversion price, he says, "the shareholders will not accept anything else. I think the majority are ready to lose everything rather than lose their principles."

The alternative to a restructuring is bankruptcy. But some argue the banks have more to lose than Eurotunnel's small shareholders from such a course.

Adacte, the second – more militant – shareholder group, is considering a liability action against Eurotunnel's directors and banks, which it accuses of acting as shadow directors. "We think the only way for us to get a bit of money back is through court action," says Mr Albert Jauffret, Adacte chairman. Mr Jauffret would like Sir Alastair Morton, Eurotunnel co-chairman, replaced by Mr Richard Branson – "a real manager".

The first phase of talks between Eurotunnel and its banks began yesterday.

Buoyant America Online signs Japanese venture

By Louise Kehoe in San Francisco

America Online, the consumer online information services company, reported a surge in third-quarter revenues and earnings and announced a joint venture in Japan.

The largest and fastest growing online service, AOL added more than 905,000 subscribers in the first three months of this year, bringing its total number of US members to 5.5m.

Third-quarter revenues rose 185 per cent to $312.3m. Net income rose to $15.1m, or 14 cents a share, after special charges equivalent to about 1 cent a share related to an acquisition. A year earlier, the company reported a net loss of $3.3m, or 5 cents a share, after a $7.6m acquisition charge.

Service revenues tripled in the quarter to $285.5m. Revenues from advertising, network access fees and other sources doubled to nearly $26.9m.

AOL plans to launch a consumer online service in Japan by the end of the year with Mitsui, the Japanese trading company, and Nihon Keizai Shimbun (Nikkei), the publisher of the leading Japanese business newspaper. It already has a European joint venture with Bertelsmann, the German publishing and entertainments group.

The service will feature a broad range of Japanese language material. Mitsui and Nikkei will together contribute more than $56m to the launch. Mitsui will hold a 40 per cent stake in the venture, Nikkei 10 per cent and AOL 50 per cent. Mitsui has also purchased about $28m of convertible preferred shares in AOL.

AOL's expansion reflects broad interest in online services, spurred by the Internet. Although analysts had feared that the Internet would draw personal computer users away from proprietary online services, the opposite now appears to be true. PC users are increasingly using AOL and rival services such as CompuServe, as a gateway to the Internet.

● Prodigy, the third-largest consumer online information service, appears to be on the brink of a management buy-out. International Business Machines and Sears Roebuck, its parent companies, have been in talks about the service's future since Sears announced its intention to sell its share last year.

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Underwriters

BACOB BANK C.V. — MORGAN STANLEY & CO. International

The undersigned acted as financial advisor to BACOB Bank C.V. with respect to the offering.

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May 1996

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COMPANIES AND FINANCE: EUROPE

Scania tumbles 21% despite higher sales

By Hugh Carnegy in Stockholm

Scania, the Swedish truck maker floated in New York and Stockholm last month, yesterday blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits.

Pre-tax profits slid to SKr1.1bn ($161m) despite increased vehicle sales, barely matching market expectations and well below last year's SKr1.4bn at the same stage. Earnings per share were down from SKr4.65 to SKr3.96.

Scania B shares eased SKr0.5 to close at SKr189.50. But they were still ahead of the SKr180 offer price in April, when Investor, the main Wallenberg empire holding company, sold a 55 per cent stake via an initial public offering for SKr18.8bn.

Despite the profits decline, Scania reported an increase in the number of trucks and buses sold in the first three months from 10,840 to 11,691, achieved in the face of overall market declines in the UK and Brazil, its two biggest markets.

It said order bookings were at similar levels to last year and remained stable in April.

In Europe, a total of 8,076 Scania trucks were registered, 30 per cent more than during the same quarter last year and almost double the rise in truck registrations in the overall European market.

Scania said it had increased its share of the heavy truck market in Europe from 14.8 per cent to 16.6 per cent, overtaking its great rival Volvo and moving in to second place, after Mercedes. Unlike Volvo, Scania said it did not see a downturn in demand in Europe later this year.

Most of Scania's sales continued to be for the 3-series range, which is gradually being replaced this year by the new 4-series, launched last year. But Mr Leif Ostling, chief executive, said Scania had not cut prices to keep up sales of the outgoing model.

Instead, he said the stronger Swedish krona and the costs of introducing the 4-series caused the fall in profits. Group turnover was up 2 per cent in nominal terms from SKr8.5bn to SKr8.7bn – although there was an underlying increase of 8 per cent adjusted for currency shifts.

Costs, meanwhile, rose from SKr6.8bn to SKr7.3bn. Mr Ostling said 1,500 workers would be laid off later in the year as production was streamlined to only the 4-series.

The costs increase left operating profits down 19 per cent at SKr1.23bn compared with SKr1.5bn last time.

This meant the operating margin at Scania – which prides itself on being the world's most profitable truck maker – fell from 17.8 per cent to 14.1 per cent.

However, this was still comfortably ahead of its rivals.

Air France Europe on a tight schedule

French carrier's domestic partner faces grim prospects if it fails to get its house in order

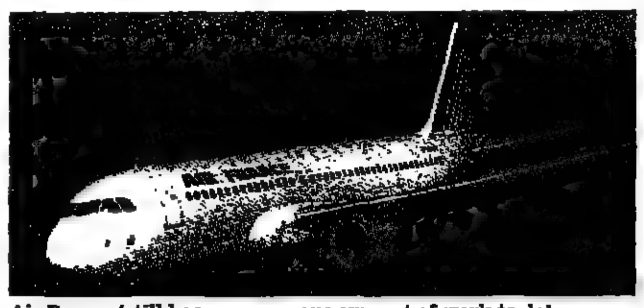
"Air France has one-and-a-half to two years to get its house in order. Obviously the company has made significant progress, yet there is an enormous amount of work to be done."

This assessment by Mr Julius Maldutis, airlines analyst at Salomon Brothers in New York, helps explain the uncompromising way Mr Christian Blanc, Air France chairman, last month spelt out the grim prospects for Air France Europe, the state-owned carrier's domestic partner, if it fails to, in Mr Maldutis's phrase, "get its house in order".

Mr Blanc said quite simply that Air France Europe's financial outlook was "leading to disaster". Its operating revenues did not even cover operating expenses. It would be insolvent in less than two years if nothing were done.

The Air France chairman outlined a programme of measures, ranging from a two-year pay freeze to the creation of shuttle services on important routes and the closure of loss-making routes. Details of the package will follow on May 15. "The company's salvation will require the efforts of all categories of staff," he said. These efforts would have to be accompanied by support from the state.

Though it has long faced competition from the high-speed train à grande vitesse, Air France Europe has been reduced to this position primarily because of the advent of full competition from other French airlines on its domestic routes.



Air France 'still has an enormous amount of work to do'

The barriers to competition were not fully removed until last year, but competitors are already making serious inroads to the group's business on routes such as Paris-Marseilles and Paris-Toulouse (see table). By Mr Blanc's estimate, losses would total FFr1.3bn ($251m) this year and next if changes were not made.

Liberalisation of European air travel will be further entrenched in April 1997 when airlines from other European Union countries are allowed unfettered access to the French domestic market. Hence the tightness of the timetable stipulated by Mr Maldutis.

A big factor in determining the future viability of Air France Europe, which Air France plans to merge with its own European operations in 1997, will be the response to Mr Blanc's blueprint of the trade unions – still a power in France. Their initial reactions did not bode well.

For one thing, they were antagonised by the tone of some of Mr Blanc's language – in particular, what they took as the suggestion that a child of eight would understand the plight of the company, whereas some employees did not.

For another, they expressed disappointment that they could discern no clear strategy for defending Air France Europe's market position in what Mr Blanc said. "We are under the impression that Air France has absolutely no idea what to do with Air France Europe," said a spokesman for the SNPL pilots' union. The SNPNC cabin crew's union said its members were "shocked" by Mr Blanc's "alarmist plan".

The crisis at Air France Europe comes as the situation at Air France itself is showing signs of improvement after cumulative losses of about FFr15bn since 1991. The group disclosed last month it had reduced net losses before restructuring costs to less than FFr1.2bn in 1995-96 and hoped to cut this to FFr115m in 1996-97. It said gross operating profits had risen to FFr3.7bn. The figures excluded Air France Europe.

Ironically, some feel the brighter picture at Air France may make Mr Blanc's task at Air France Europe even tougher. "It is more difficult to implement a restructuring when the results you are posting are better because the unions will say 'What's the problem? We are back in profit'," argues Mr Guy Kekwick, a London-based analyst with Lehman Brothers.

What is not in doubt is that the stakes for the airline – and the French government, which is seeking to implement social and economic reform while avoiding fresh confrontation with trade unions – are extremely high.

Analysts such as Salomon's Mr Maldutis think the European market will eventually come to be dominated by as few as three premier carriers which will use next year's liberalisation to expand aggressively. Two of this trio look set to be British Airways and Germany's Lufthansa.

Whether Air France emerges as the third – and in the process becomes a realistic prospect for privatisation – may hinge on the events of the next few months.

David Owen

International passengers*

Airline	Passengers carried (millions)
British Airways	[illegible]
Lufthansa	17.5
American Airlines	14.9
Air France	13.8
KLM	[illegible]
United Airlines	11.3
Singapore Airlines	[illegible]
SAS	9.8
Cathay Pacific	[illegible]
Japan Airlines	9.4

*Scheduled. Source: IATA

Domestic passengers*

Airline	Passengers carried (millions)
Delta Airlines	[illegible]
American Airlines	61.1
United Airlines	[illegible]
USAir	59.5
Northwest Airlines	[illegible]
Continental Airlines	42.2
All Nippon Airways	[illegible]
British Airways	30.2
Lufthansa	[illegible]
Japan Airlines	26.1
Trans World Airlines	[illegible]
Alitalia - Linee Aeree Italiane	20.3
SAS	[illegible]
Korean Air Lines	18.8
America West Airlines	[illegible]
Air France	16.6
Japan Air System	[illegible]
Malaysian Airline System	14.3
Qantas	[illegible]
Iberia	13.8

*Scheduled. Source: IATA

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May 1996

Call for Expressions of Interest in Purchasing
The Groups of Assets of
"Hadjiathanassiades Bros S.A. "of Athens Greece

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9a Chrysospiliotissis Str., Athens 10560, Greece, in its capacity as Liquidator of "Hadjiathanassiades Bros S.A.", a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990, by virtue of Decision 3646/1996 of the Athens Court of Appeal invites interested parties to submit within twenty (20) days from the publication of this call, non-binding written expressions of interest for the purchase of the groups of assets mentioned below, each one being sold as a single entity.

BRIEF INFORMATION

The Company was established in 1968. Its activities included the processing and canning of whole tomatoes, tomato paste, tomato juice and vegetables, the processing and packaging of whole and granulated rice, the packaging of fresh fruits and vegetables. The Company was declared bankrupt in 1991, while it was placed under special liquidation on 19 April 1996.

GROUPS OF ASSETS OFFERED FOR SALE

1. Rice processing unit (rice mill), comprising several buildings the area of which amounts to approx. 4,574 sq.m., standing on a plot of land of approx 3,850 sq.m. within the city planning area of the Community of Skoutari, Serres. This contains machinery consisting of an OLMIA polished rice production unit (4 ton/H), a SCHULE parboiled rice production unit (2 ton/H) and a sorting and packaging unit. The 'MAGIROS' rice trademark (leased out in 1988 on a long-term basis) and the company's registered name are included in the present group of assets.
2. Peeled tomato, tomato puree and tomato juice production unit and fruit and vegetable processing unit, comprising several buildings the area of which amounts to approx. 25,500 sq.m., standing on a plot of land of approx. 52,136 sq.m. (adjoining that of the ricemill). The plant's machinery includes a tomato puree production unit, the capacity of which is equal to 2,000 tons/24 hours and units for the processing of peeled tomatoes, peas, beans, peaches and alfa-alfa. The latter are dismantled and in a bad condition.

   Both the rice and the fruit and vegetable units are currently leased out while legal proceedings for the termination of the lease are pending
3. Remaining assets, incl. an agricultural plot of land amounting to 4,821 sq.m. at KIOR ASMAKI, in the region of the Community of Skoutari, Serres.

SALE PROCEDURE

The Company's assets will be sold by way of public Auction in accordance with the provisions of Article 46a of Law 1892/1990, (as supplemented by art.14 of L.2000/1991 and subsequently amended) and the terms set out in the call for tenders for the sale of the above assets, to be published in the greek and foreign press on the dates provided by law

SUBMISSION OF EXPRESSIONS ON INTEREST - OFFERING MEMORANDUM

For the submissions of Expressions of Interest and in order to obtain copies of the relevant Offering Memoranda please contact the Liquidator. "ETHNIKI KEPHALEOU SA Administration of Assets and Liabilities", 9a Chrysospiliotissis Str., Athens 10560 GREECE, Tel. +30-1323 14.84 -87 Fax: +30-1-32.1.79.05 (attention Mrs. Marika Français).

DSM N.V. Dividend

The DSM N.V. dividend for the financial year 1995 has been fixed at NLG 8.00 per share of NLG 20.00 nominal value.

An interim dividend of NLG 2.00 having been paid in August 1995, the final dividend payable amounts to NLG 6.00. The final dividend will be paid against presentation of coupon no. 14 as from 22 May 1996 at the office of the Company's Paying Agent in the United Kingdom:

S.G. Warburg & Co., Paying Agency, 2 Finsbury Avenue, London EC2M 2PP

DSM

All dividends will be subject to deduction of withholding tax of 25% in the Netherlands. United Kingdom income tax will be deducted at the rate of 5% unless claims are accompanied by an affidavit. Withholding tax deducted in excess of 15% is recoverable by United Kingdom residents. The company's United Kingdom paying agent will, upon request, provide the appropriate form for such recovery. The remaining 15% withholding tax can be credited against UK income tax.

Heerlen, 9 May 1996
The Managing Board of Directors

DSM N.V., P.O. Box 6500, 6401 JH Heerlen, The Netherlands, tel. (31) 45 5782423, fax (31) 45 5740680

TATE & LYLE PLC
WARRANTS TO ACQUIRE ORDINARY SHARES OF TATE & LYLE PLC
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5¾ PER CENT. GUARANTEED BONDS DUE 2001
(the "Bonds")

As a consequence of the redemptions of the Bonds and in accordance with Condition 1 of the Warrants the period during which Warrantholders may subscribe for Ordinary Shares of Tate & Lyle PLC (the "Subscription Period") will terminate at 11.00 am on 3rd June 1996.

Warrantholders may exercise their rights to purchase Ordinary Shares of Tate & Lyle PLC on any business day during the Subscription Period in accordance with Condition 2 of the Warrants

PRINCIPAL WARRANT AGENT
Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg Grund

WARRANT AGENTS
Banque Bruxelles Lambert S.A.
24 Avenue Marnix
B-1050 Brussels

The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

TATE & LYLE PLC
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(the "Bonds")
of
TATE & LYLE INTERNATIONAL FINANCE PLC
(the "Company")

NOTICE IS HEREBY GIVEN to holders of the Bonds ("Bondholders") that, in accordance with Condition 4(b) of the Bonds, the Bonds will be redeemed on 10 June 1996 (the "Redemption Date") for a redemption value of £4,298.30 plus £83.09 interest per Bond accrued to the Redemption Date.

Payment of the Bonds' redemption value and interest will be made pursuant to Condition 5 of the Bonds and all outstanding unmatured coupons at the office of a Paying Agent at the address shown below. The aggregate amount of principal so deducted will be paid against surrender of the relevant coupon not later than 10 years from the Relevant Date as defined in Condition 6 of the Bonds.

Bonds and coupons will become void unless presented for payment within a period of 10 years and 5 years respectively.

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The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

PAYING AGENTS
Banque Bruxelles Lambert S.A.
24 Avenue Marnix
B-1050 Brussels

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
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Washington, D.C.

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Notice is hereby given that for the interest period 9 May 1996 to 9 August 1996 the notes will carry an interest rate of 8.575% per annum. Interest payable on 9 August 1996 will amount to ITL 109,569 per ITL 5,000,000 note and ITL 1,095,694 per ITL 50,000,000 note.

Agent: Morgan Guaranty Trust Company

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US$200,000,000
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Agent: Morgan Guaranty Trust Company
JPMorgan

Cassa di Risparmio di Verona Vicenza Belluno e Ancona
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May 9, 1996, London
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Schering sees 'double-digit' profits growth for 1996

By Daniel Green

Schering, the Berlin-based pharmaceuticals company, yesterday revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m ($86.1m).

The company's financial income rose 58 per cent, from DM24m to DM38m. Operating profits, by contrast, slipped 1 per cent from DM198m to DM196m.

Prospects for the whole year were good enough for Schering to promise a return to the performance of 1994, after a relatively poor 1995. It said that profits for 1996 would "grow by a double-digit figure". In 1994, the company posted net profits of DM285m.

Turnover for the first quarter rose 5 per cent from DM1.15bn to DM1.21bn. Most of the improvement derived from non-German sales, up from DM962m to DM1.02bn. Domestic sales rose from DM187m to DM191m.

Late last year the company launched Betaferon, its multiple sclerosis drug, in Europe. First quarter sales in Europe reached DM26m in spite of a "poor start" in the UK.

The company blamed the lack of a "central agency in charge of administering the budget for dispensing Betaferon [in the UK]". The drug caused some controversy in the UK as a result of its high price.

It said that a decline in prices and financing difficulties for patients had helped slow the rate of sales growth in the US, where sales were barely changed at DM90m.

Schering added that sales of Betaferon, sold as Betaseron in the US, could fall when competition hits the market later this year. Massachusetts-based Biogen is likely to be the first to launch a competitor.

Betaferon sales might not, therefore, reach their target of DM600m a year, the company said.

There was a better performance from the fertility/hormone therapy products areas. Sales rose 5 per cent thanks to the hormone replacement therapy products, rather than oral contraceptives which have been hit by health concerns.

AgrEvo, a crop protection business run jointly with Hoechst, the German pharmaceuticals and chemicals company, contributed DM23m, after goodwill, to Schering's first quarter profits. This compared with a contribution of DM14m in the same period in 1995.

Sales in the diagnostics side – principally materials for improving the quality of x-ray and body scan pictures – fell 8 per cent.

The company blamed losses in Japan partly attributable to the weakening yen. It also had to withdraw a promising new product, Isovist, last year.

Sales in Latin America showed the largest single regional increase.

NEWS DIGEST

Winterthur posts 15% rise for year

Winterthur, the Swiss insurance group, posted net profits for the year to December up 15 per cent from SFr364.2m to SFr419.2m ($338m). Gross premiums rose from SFr20.5bn to SFr22.3bn. The dividend goes up by SFr2 to SFr19. Analysts had forecast net profits of between SFr415m and SFr430m, and Winterthur bearer shares closed down SFr4 at SFr761.

Winterthur said pre-tax profits rose from SFr730.3m to SFr815.7m. Operating earnings at its non-life division were ahead 20.2 per cent to SFr580.4m, while operating profits at its life business fell 4.9 per cent to SFr235.3m.

The group said the decline in life business was "not only due to higher benefits paid, but also to larger allocations to the reserves in disability insurance." It said total financial investments rose from SFr65bn to SFr72bn, with income from overall financial operations rising from SFr4.25bn to SFr5.19bn

Non-life business premiums rose 8.9 per cent in 1995 thanks to acquisitions, the company said. The group's life premiums rose 9.2 per cent due to growth in Switzerland, Italy and the UK. Winterthur said shareholder equity fell to SFr4bn at end-1995 from SFr4.1bn a year earlier due to an extremely strong Swiss franc and goodwill paid for acquisitions.

AFX News, Winterthur

Rabobank builds Polish stake

Rabobank, the Dutch co-operative bank which specialises in international agribusiness lending, yesterday announced it had subscribed to a new share issue in Bank Rolno-Przemyslowy of Poland. It has acquired a majority 51 per cent stake in the Polish bank and doubled its capital to 40m zlotys ($15m).

The bank, created in 1993, had a balance sheet total of 99m zlotys at the end of last year and is concentrated in the Polish food processing and agribusiness sector. It will now be known as Rabo-BRP Polska SA. Rabobank said it intended to invest some $100m in new branches in central and eastern Europe over the next four years.

David Brown, Amsterdam

Hochtief up at DM137m for year

By Michael Lindemann in Bonn

Hochtief, the leading German construction group, yesterday reported a 7 per cent improvement in net profits to DM137m ($90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year.

The improved earnings are in marked contrast to those at Philipp Holzmann, the larger rival group which Hochtief is wrestling to take over. Holzmann last month disclosed a surprise loss of DM360m, mainly due to problems in the property market.

Essen-based Hochtief said it had been able to buttress its 1995 results following a 38 per cent rise in orders from outside Germany, to DM5.2bn.

"Our policy of internationalising, something we have been doing steadfastly over the years, has paid off," said Mr Hans-Peter Keitel, chief executive. The dividend for 1995 will remain unchanged at DM13.50.

New orders in Germany meanwhile fell 16 per cent to DM6.6bn, underlying the persistent weakness of the German construction market.

However, Mr Keitel said the present year had got off to a good start with orders rising to DM2.3bn in the first quarter, 18 per cent higher than during the same period a year earlier. Construction output, the construction industry's term for sales, rose 3 per cent to DM2.4bn.

Overall Hochtief's construction output last year rose 6 per cent to DM11.1bn, up from DM10.5bn. Output in Germany rose 3.6 per cent to DM7.6bn while output abroad was ahead 10.4 per cent to DM3.9bn.

The group said its subsidiaries in Australia, the Netherlands and South Africa had contributed to the improved results with unspecified profits.

Despite the improved results, Mr Keitel repeated his warnings – directed mainly at Holzmann, which it is attempting to take over – that the German construction industry would be no match for more powerful international competition unless it changed its ways.

"The big German construction companies cannot compete internationally if they remain a number of medium-sized companies, assembled under the roof of a holding company, doing mainly traditional construction activities," Mr Keitel said.

"[They] have to restructure themselves and think in new categories . . . in order to be able to manage a number of activities from project development to facility management."

Hans-Peter Keitel: present year off to a good start

Dividends boost at Italian insurers

By Andrew Hill in Milan

Ina and Ras, two of Italy's largest insurance companies, plan to raise their dividends by more than one-third on the back of strong increases in group profit.

Ina will propose a dividend of L55 per ordinary share, compared with L40 the previous year.

Mr Sergio Siglienti, Ina chairman, said yesterday the company was "technically ready" for the next phase of privatisation – the sale of the treasury's remaining 34 per cent stake.

Analysts believe last month's election victory for the centre-left should accelerate the sale, probably through an issue of government bonds convertible into Ina shares. A bond issue would avoid the treasury having to sell shares at a price lower than the L2,400 of the 1994 flotation. Ina's shares closed yesterday at L2,278, down L14.

Ina's net consolidated profit rose from L293bn in 1994 to L395bn ($254m) in the 12 months to December 31 1995, helped by a 15 per cent increase in premium income to L2,971bn, against L2,580bn a year earlier.

Ina said it was still searching for a new banking partner, following the end of an earlier agreement with Banca di Roma.

Ras, which is controlled by Allianz of Germany, plans to pay a dividend of L340 on ordinary shares and L400 on savings shares, against L250 and L300 respectively for 1994.

Ras closed calendar-year 1995 with a net profit of L319bn, up nearly 60 per cent on 1994's L201bn.

Premium income was slightly lower at L4,161bn, against L4,381bn in 1994, but the company explained that the reduction was almost entirely due to the ending of the group's energy, oil and gas insurance activities, which accounted for some L300bn of premium income in 1994.

Stripping out those operations, the group said non-life premiums had risen by 8 per cent in the year, and life assurance by 2.2 per cent.

Ras also announced a reshuffle of management, promoting three of the company's general managers – Mr Mario Greco, Mr Salvatore Militello and Mr Pierluigi Riches – to managing director, each in charge of a different business area.

The company said Mr Giulio Baseggio and Mr Attilio Lentati would give up their role as joint managing directors while retaining the post of joint chief executive alongside Mr Angelo Marchiò, chairman.

Teleshopping set to grow in Germany

By Frederick Stüdemann in Munich

Home Order Television, Germany's first television shopping network, which launched last October, yesterday said it expected turnover in 1996 to reach DM65m ($43m) and that it would start making operating profits in 1998.

The network, which is jointly owned by the Quelle mail order group, Mr Thomas Kirch and Mr Georg Kofler, said it expected to have fully paid off initial investment costs of DM100m by 2000.

Mr Andreas Büschelhoffer, joint chief executive, said that in the long term he expected turnover to settle down at about DM500m. "That is where we see the saturation point," he said.

The network is a pioneer in the German television industry, which is undergoing considerable upheaval in the approach to possible liberalisation and the arrival of digital pay-TV.

Teleshopping is considered particularly attractive, given the popularity of mail order shopping in Germany, which has prompted retailers, such as Quelle, to move into television.

Rewe, the high street retailer, this year bought a 40 per cent stake in the Pro Sieben network from Mr Kirch and Mr Kofler.

Foreign companies, such as the US-based network QVC, are also looking at the German market.

The growth of teleshopping has been hampered, however, by legal restrictions which limit television shopping to one hour a day on commercial networks, and which strictly speaking do not allow networks devoted wholly to teleshopping.

HOT, however, was able to convince the licensing authorities in Bavaria that it was not so much a broadcasting network as an "audio-visual catalogue".

Other regional states are now following Bavaria's lead and a reform of the state's Broadcasting Treaty, under which the Länder administer broadcasting in Germany, is expected to bring further liberalisation.

At present HOT can be received by 4m households through cable and satellite distribution.

The network said it would expand distribution in the coming year into Austria and Switzerland.

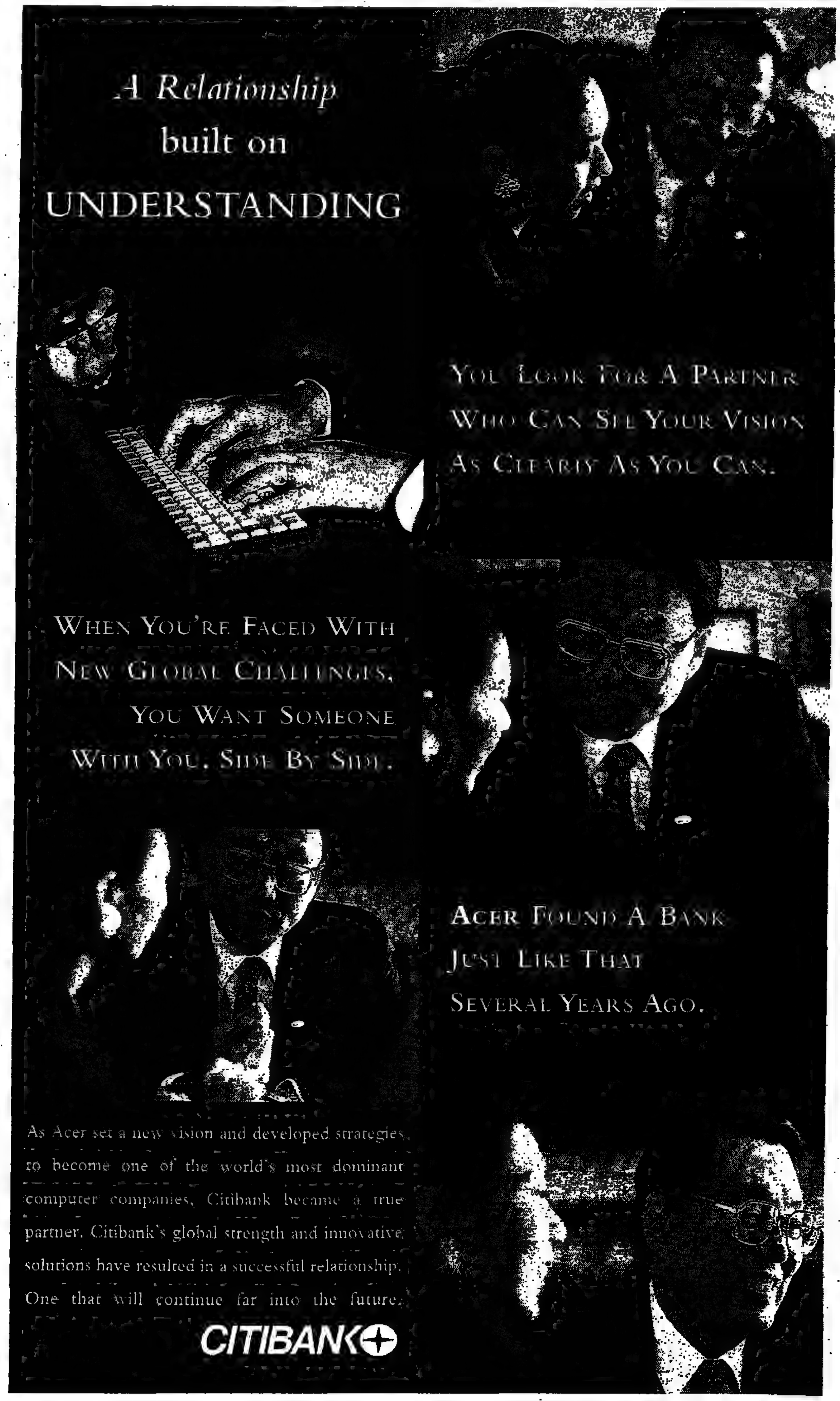
Within Germany, it has signed distribution agreements with several local networks for the transmission of daily one-hour segments which can be received by about 7m people.

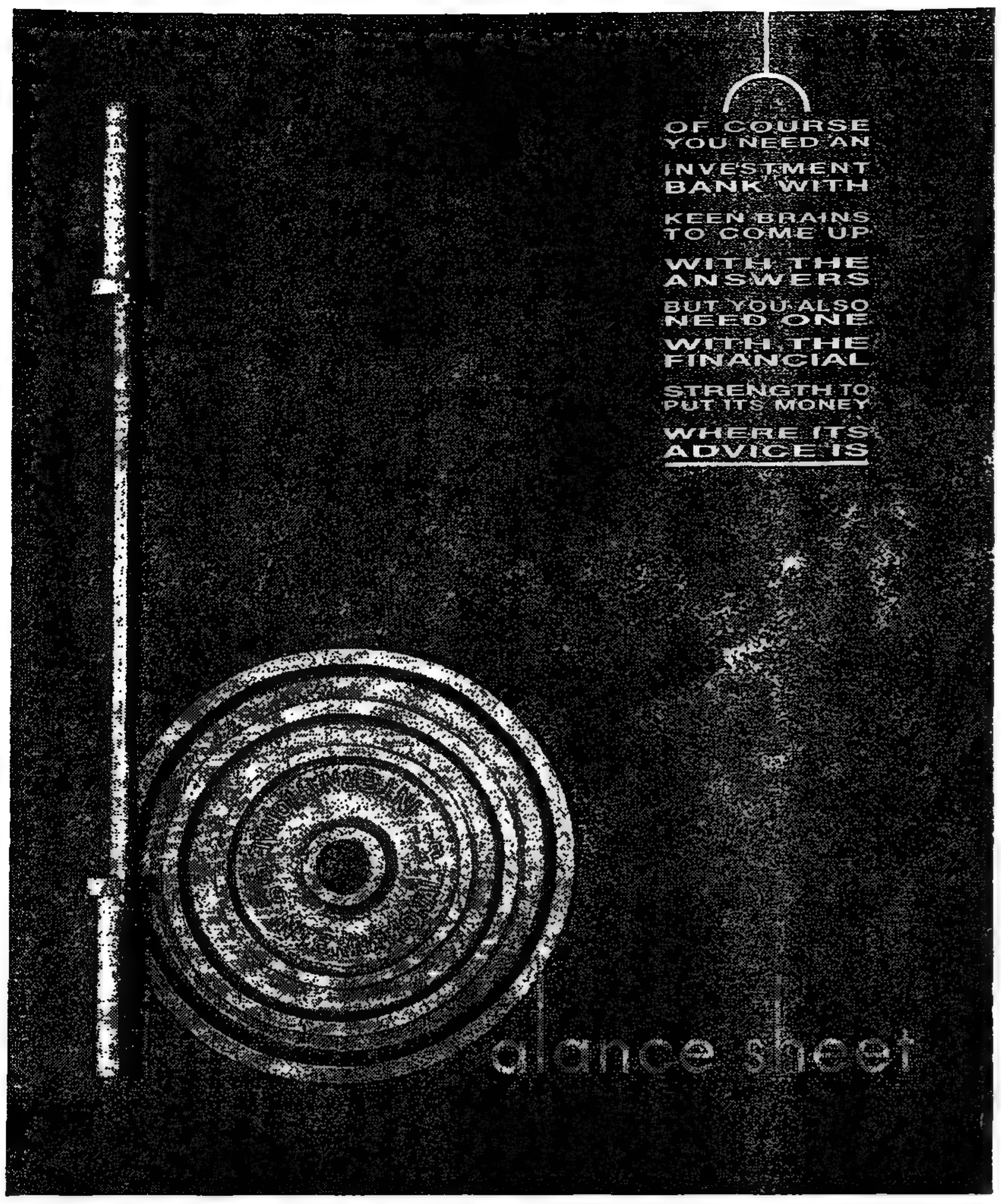
In its first six months of operation, the network said it had found many previous assumptions about teleshopping to be false.

"Many people thought it would be primarily something for women, but in fact nearly half – 47 per cent – of our sales are made to men," Mr Büschelhoffer said.

Furthermore, product groups believed to be more attractive to female customers – such as jewellery and household goods – were in sales terms split almost equally between the sexes.

Mr Büschelhoffer said that, in general, German viewers did not respond to the hard-sell techniques popular among US teleshopping networks.





INVESTMENT BANKING. FROM A TO BZW

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SA banks warn despite progress at halfway stage

By Mark Ashurst in Johannesburg

First National Bank and Nedcor, the South African banking and financial services groups, yesterday reported solid growth for the six months ended March 31.

However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates after the recent sharp falls in the rand.

First National posted a 13 per cent rise in pre-tax income, from R602.9m in the first half of 1995 to R681.3m ($155.2m). Earnings per share rose 17.5 per cent to 103.5 cents. The dividend was raised by one-third, to 20 cents a share.

Analysts said the results were below expectations. "Most analysts were looking for at least 19 per cent on earnings, if not somewhere in the early twenties," said one.

Mr Barry Swart, managing director, said the increased uld correct the proportional imbalance between the interim dividend and the year-end dividend, which was 66 cents a share at September 30 last year.

The charge for bad and doubtful debts rose 42.1 per cent to R256m, against R180m, of which 32.5 per cent was owing to the incorporation for the first time of FirstPref Finance, First National's vehicle financing arm.

Net interest income rose 24.8 per cent to R1.7bn. Total assets were up 20.5 per cent to R82.5bn but had risen only 6.7 per cent, or R5.2bn, since September 30 last year.

Nedcor reported a 32 per cent rise in pre-tax income, from R546m to R718m. Earnings per share increased 24 per cent to 210 cents, and the dividend was 25 per cent higher at 45 cents a share.

Analysts said the results were broadly in line with expectations, although final results in September were now unlikely to exceed forecasts of 25 per cent earnings growth.

Mr Richard Laubscher, chief executive, said the results reflected "a solid all-round performance, despite a cautionary build up of bad debt provisions for new business activities". Earnings had grown an average 20.2 per cent over the past three years.

The ratio of expenses to total income for the period was 62.8 per cent, compared to 65.5 per cent last time. The group intends to reduce costs to achieve a ratio of 60 per cent within three years.

Net interest income increased 21 per cent to R1.4bn as margins came under pressure from higher interest rates in the money market.

Total assets increased 23 per cent to R79.1m, a rise of 9 per cent since the end of fiscal 1995.

Westpac divests Victoria operations

By Nikki Tait in Sydney

The shake-out in Australia's banking sector took a fresh twist yesterday when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently-acquired Challenge Bank subsidiary to Bank of Melbourne.

Bank of Melbourne, which is listed and heavily oriented towards the consumer and home loan markets, is one of the declining band of regional banks left in the sector, and has itself been the target of takeover speculation.

It said yesterday it had agreed to pay Westpac net asset value for the Victorian assets and liabilities, plus a premium of A$69m (US$55.2m), representing goodwill. "It is estimated that the total purchase price will be approximately A$800m," it said.

Westpac made a successful A$689m bid for Challenge's shares last year. Challenge is based in Perth, and Westpac was widely viewed as being primarily interested in increasing its presence in Western Australia.

Yesterday, Mr Bob Joss, Westpac's managing director, said the sale was "consistent with our strategic objective of concentrating on Challenge's regional WA strength".

"It also represents a good return for our shareholders and ensures focus on the integration of our WA business," he added.

The business that Westpac is selling includes retail and commercial assets of about A$1.3bn and deposit liabilities of A$503m, and comprises 22 branches. It has some 132,000 customers and 241 employees.

Bank of Melbourne said the deal would lift its share of lending in Victoria to 10.1 per cent, compared with 8.4 per cent at present, and its share of deposits from 10.4 per cent to 11.1 per cent. It will fund the deal from cash reserves and from a A$205m medium-term note issue.

Mr David Airey, chief executive at Bank of Melbourne, said he expected the deal to add about A$15m in pre-tax profits in 1996-97, and lift total assets at Bank of Melbourne to more than A$10bn.

Shares in Bank of Melbourne remained steady on the news at A$7.10, while Westpac – which is due to report interim results next week – eased A$6 to A$5.92.

NEWS DIGEST

Malaysia seeks steelmaker rescue

Malaysia is considering proposals from four private companies to rescue the state-owned steelmaker Perwaja Terengganu, which borrowed heavily and has been suffering high operating losses. Mr Anwar Ibrahim, deputy prime minister and finance minister, said the four companies were Renong Berhad, Westmont Industries, Lion Corporation and the Maju Group. All are highly-diversified, with close government contacts. Mr Anwar gave no details of the proposals. Perwaja is under finance ministry control while it is being audited.

Steel industry analysts said the government had not yet decided what form the private participation in Perwaja might take. The most likely option was that one or two of the interested companies would take an equity stake alongside a remaining state holding, analysts said.

Estimates of Perwaja's debt range from about 5.7bn ringgit to 6.8bn ringgit ($2.29bn-$2.7bn), much of it owed to foreign financial institutions and denominated in yen. Accumulated operating losses are 2.5bn ringgit. Analysts said the government would probably pay off Perwaja's debt to make the steelmaker more tempting to private sector suitors, but would leave its accumulated losses because 30 per cent of these could be claimed as tax deductions on earnings.

Perwaja, with some 4,000 workers, manufacturers a range of steel products used mainly in construction. Demand for its products seems assured because of 31 government projects worth an estimated 163bn ringgit between 1995 and 2020, but operating costs are high. *James Kynge, Kuala Lumpur*

Indonesian tin miner up sharply

Tambang Timah, Indonesia's integrated tin mining company, saw net profit in the first quarter increase about 90 per cent on the same period a year earlier, on higher average prices for tin and increased sales volume.

Net profit rose to Rp39.4bn ($16.9m) in the first quarter from Rp20.64bn a year earlier, while sales advanced 26 per cent to Rp136bn. The average tin price in the period increased from US$5,825 a tonne in the comparable 1995 period to US$6,299 a tonne, while first-quarter sales volumes rose from 8,400 tonnes to 9,330 tonnes.

The first-quarter net income figure compares with Rp59bn recorded in the fourth quarter last year, but this included a one-time extraordinary gain on the sale of assets. Timah's production costs are expected to increase this year, but analysts say this is unlikely to have a significant impact on earnings growth as world prices and demand for tin are set to harden.

A rise in production costs is attributed to increases in capital expenditure as the company starts exploration for diamond mining on the island of Kalimantan and gold mining in Sumatra.

A company official predicted that costs would rise to US$4,459 a tonne, against US$4,210 a tonne last year. Analysts noted that production costs were also slightly higher in the first quarter as Koba Tin, in which Timah has a 25 per cent stake, started operating its own tin smelter. This took about 1,700 tonnes out of Timah's smelter output, leading to a "slightly lower utilisation rate and therefore higher production costs", said one Jakarta-based analyst. *Manuela Saragosa, Jakarta*

Australian brewer in Vietnam deal

Power Pacific, the Australian brewer, has signed a $276.9m joint venture contract with Vietnam's largest brewer to build a plant near Ho Chi Minh City in southern Vietnam, its second brewing venture in what has fast become a competitive market. The joint venture company, known as Saigon Power Brewery, would be owned 51 per cent by Power Pacific with the rest held by Saigon Brewery, a state-owned company that produces the "333" brand originally brewed by the French earlier this century.

Power Pacific said the brewery would be completed in 1998, when initial output should be about 150m litres, rising to 300m litres.

The company puts annual beer consumption in Vietnam at about 6 litres a head, and anticipates an annual growth rate of 20 per cent. Saigon Power Brewery planned to produce "an international premium brand" in addition to Saigon Brewery's existing range. The official said Power Pacific was negotiating with Anheuser-Busch, the US brewer, about involvement. Anheuser-Busch produces Budweiser beer.

The Australian company was also talking to other international brewers about taking a debt or equity position in the project. It has one other brewery in Vietnam, a small plant, also in Dong Nai province, producing about 20m litres of draught beer annually.

Since the Vietnamese brewing sector started to attract foreign investment in 1993, the number of foreign and local brands produced has soared. Foreign arrivals include Carlsberg, Tuborg, San Miguel, Tiger and Guinness. As a result, some industry analysts question whether there is scope for more foreign investment. *Jeremy Grant, Hanoi*

DANONE

DIVIDEND PAYMENT

At the General Meeting of Danone Group on May 7, 1996, shareholders voted to give each shareholder the option of payment of the 1995 dividend of FF 16.00 (excluding the tax credit) **in cash or share form.**

The issue price of shares distributed in lieu of a cash payment was set at 90% of the average opening price for the twenty trading days prior to the Meeting, ex-dividend, or a total of **FF 689.** New shares will become available on July 22, 1996.

On May 7, the day of the General Meeting, DANONE shares were opening at FF 798.

Regardless of their preference, shareholders retain the benefit of tax credit (avoir fiscal) attached to the dividend.

Shareholders may exercise their choice between May 13 and June 7, 1996 inclusive.

Shareholders who opt for dividends in cash rather than in shares will be able to receive payments as of May 13, 1996 provided they have instructed their bank or other financial intermediary accordingly.

DANONE

FIRST-QUARTER SALES UP 5.4%

Consolidated sales of Danone Group amounted to FF19.5 billion in the first quarter of 1996, 5.4% more than the FF18,5 billion recorded in the same period of 1995.

Sales by division were as follows:

(FF millions)	1995	1996
Europe		
Dairy products	5,287	5,661
Grocery products / Pasta	3,999	4,019
Biscuits	2,864	2,802
Beer	1,483	1,465
Mineral water	1,552	1,579
Countainers	1,553	1,550
International	2,389	3,000
Intra-group transactions	(599)	(553)
GROUP TOTAL	18,528	19,523

This 5.4% rise reflects a progress in organic growth (up 2.5%), and first consolidation of companies active in dairy products in eastern Europe and Argentina, and biscuits in Argentina and China.

At constant organization, structure and exchange rates, year-on-year changes in sales by division were as follows:

Europe	
Dairy products	+ 4.1%
Grocery products / Pasta	+ 3.7%
Biscuits	– 2.1%
Beer	– 1.6%
Mineral water	+ 2.0%
Containers	+ 0.5%
International	+ 3.5%
GROUP TOTAL	+ 2.5%

Figures reflect slack trends in food consumption in France in March, but signs of firming emerged in April

NATIONAL BANK OF CANADA

US$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from May 09, 1996 to August 09, 1996 the Notes will carry an Interest Rate of 5.70 % per annum

The Interest Amount payable on the relevant Interest Payment Date, August 09, 1996 will be US$ 145.67 per US$ 10,000 principal amount of Note and US$ 1,456.67 per US$ 100,000 principal amount of Note.

The Calculation Agent
KBL Kredietbank Luxembourg

St.George

Bank Limited
A.C.N. 055 513 070
(Incorporated with limited liability in New South Wales)

U.S.$300,000,000

Floating Rate Notes due 1998

For the three months 8th May, 1996 to 8th August, 1996 the Notes will carry an interest rate of 5.67734% per annum with an amount of interest U.S.$145.09 per U.S.$10,000 Note and U.S.$1,450.88 per U.S.$100,000 Note, payable on 8th August, 1996.

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Union Bank of Switzerland
London Branch
3rd May, 1996

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FT Surveys

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.48	9.10	9.10
0100	9.02	8.96	8.96
0130	8.97	9.22	9.22
0200	12.28	13.26	14.37
0230	12.28	18.50	19.61
0300	12.28	18.50	19.61
0330	12.28	18.50	19.61
0400	12.28	13.27	14.38
0430	12.28	13.09	14.20
0500	12.28	9.24	9.24
0530	16.76	9.34	9.34
0600	9.00	9.32	9.32
0630	8.97	9.32	9.32
0700	9.00	9.34	9.34
0730	18.00	23.01	24.12
0800	18.36	21.90	23.01
0830	25.52	23.01	24.12
0900	25.57	25.43	28.54
0930	28.84	25.43	28.54
1000	28.83	25.43	28.56
1030	25.58	25.43	28.55
1100	25.58	25.43	28.54
1130	25.58	25.43	28.66
1200	38.28	25.43	28.55
1230	38.26	31.03	32.14
1300	38.22	31.03	32.14
1330	28.75	25.43	26.54
1400	28.73	23.83	24.94
1430	28.72	23.83	24.94
1500	21.54	23.83	24.94
1530	21.54	23.83	24.94
1600	21.54	23.83	24.94
1630	38.04	23.83	24.94
1700	38.05	41.30	42.41
1730	38.04	41.29	42.41
1800	25.13	41.29	42.40
1830	17.98	32.82	33.94
1900	17.99	23.01	24.12
1930	17.99	23.01	24.12
2000	9.07	23.01	24.12
2030	9.06	23.01	24.12
2100	17.04	37.00	38.11
2130	28.22	37.00	38.11
2200	28.22	23.01	24.12
2230	18.56	16.19	17.30
2300	18.56	23.01	24.12
2330	17.04	15.92	17.03
2400	12.33	9.34	9.34

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] Anyone wishing to receive such information should telephone 0115 945 [illegible] between 8.30am and 5.15pm Monday to Friday.
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BROWN BOVERI

Notice to shareholders and bondholders

Bearer shares with a nominal value of Sfr 100
Registered shares with a nominal value of Sfr 20
3½% bond issue (ex warrant) 1987–99 to the value of Sfr 148 million
3½% bond issue (ex warrant) 1989–2000 to the value of Sfr 150 million
4% convertible bond issue 1990–98 of Sfr 150 million

As proposed by the Board of Directors, it was decided at the Annual General Meeting of May 2, 1996 to change the company's name from BBC Brown Boveri AG to ABB AG. The change was made to reflect the unity of the ABB Group. It also makes it clear to investors that investing in shares of the company corresponds to a participation in the international ABB Group.

Because of the change, **from May 9, 1996** all bearer and registered shares, and all outstanding bonds will be listed on the Zurich, Basle and Geneva exchanges under the name of:

ABB AG
(formerly BBC Brown Boveri AG) Baden

All security numbers will remain unchanged. Physical securities will not be exchanged or stamped.

Zurich, May 9, 1996

On behalf of:
CREDIT SUISSE

	Security number	ISIN
Bearer shares with a nominal value of Sfr 100	062 602	CH 000 062 602 5
Registered shares with a nominal value of Sfr 20	062 601	CH 000 062 601 7
3½% bond issue 1987–99 to the value of Sfr 148 mio.	120 978	CH 000 120 978 9
3½% bond issue 1989–2000 to the value of Sfr 150 mio.	120 980	CH 000 120 980 5
4% convertible bond issue 1990–98 to the value of Sfr 150 mio.	120 981	CH 000 120 981 3

Berkshire lifts size of offer for third time

By Maggie Urry in New York

Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B share offer for the third time, in an attempt to meet all demand for the shares.

The issue, which was due to be priced after the New York market closed last night, was put up from 350,000 to 450,000 shares.

Salomon Brothers, the underwriter, has an option over a further 15 per cent or 67,500 shares.

Also yesterday, it was revealed that Berkshire had filed a plan with the Securities and Exchange Commission to sell some or all of its holding of 358,000 Series A convertible preferred shares in USAir, the troubled airline.

Berkshire's B shares will be priced at about 1/30th of the A shares, which yesterday morning were trading at $33,000, down $1,900 after rising sharply on Tuesday. The issue would raise some $500m for Berkshire, excluding the Salomon option.

However, it would increase the group's share capital by only 1 per cent.

At the group's annual meeting on Monday, Mr Charles Munger, vice-chairman of Berkshire, characterised the issue as "a non-event".

Regarding the USAir position, Berkshire's filing said it would offer the shares to USAir itself.

If the airline did not buy them, Berkshire would be free to sell some or all of the shares at a price at or above that offered to USAir for a period of up to 90 days.

USAir said yesterday it had received the letter and would be responding. Berkshire has promised it would not knowingly sell the shares to anyone who would hold more than 3 per cent of USAir as a result.

Berkshire paid $358m for the USAir preferred stock in 1989. After years of losses, Berkshire wrote the investment down to $89.5m in its 1994 accounts.

A return to profitability by USAir in 1995 allowed Berkshire to write the holding up again, to $215m. At Monday's meeting, Mr Buffett said the investment "looks considerably better than it did 18 months ago, but the fundamental problems are there".

Cyberbankers set to invade the Internet

Web sites are being set up to help small companies raise money, writes Lisa Bransten

A few weeks ago Mr Andrew Klein was a former corporate lawyer trying to build up a small brewing company in Manhattan. Then his Spring Street Brewing conducted its initial public offering over the Internet, and hundreds of tiny companies flocked for advice about raising capital in cyberspace.

Now he has formed Wit Capital Corporation – named after Spring Street's Wit beer – which he hopes to develop into a full-service investment bank offering underwriting and investing services on the Internet.

He is not alone. In Albuquerque, New Mexico, Mr Michael Weinstein and Mr Jack Ben Ezra hope to use the Internet to raise money for, among others, a start-up that builds housing for the elderly and a company that raises hydroponic tomatoes.

In California, Direct IPO plans to offer shares in Internet businesses, and Scor-Net has launched a Web site that will list small companies seeking investors.

Mr Steven Wallman, a member of the Securities and Exchange Commission and a champion of the benefits of technological innovation, does not think Internet offerings will replace the Wall Street variety, although he believes they could provide opportunities for little companies seeking relatively small amounts of capital.

Spurring the process is the growing use by entrepreneurs of direct public offerings through a special SEC programme, and through state-registered Scors (small corporate offering registrations), both of which allow companies to raise a limited amount of money by selling shares directly to the public.

Mr Clay Womack, a private investor and fund manager in California, launched the Scor-Net Web site as a resource for small businesses in August. Later this year, he hopes to begin listing corporate offerings registered under the Scor programme for an initial fee of $350 plus $500 a quarter.

Scor-Net is being developed with state regulators as a non-profit entity, and has asked the SEC to review its plans. Consulier Services of California, the financial services database that is sponsoring Scor-Net, will not make claims about the authenticity of any company listed on the site, but it is only available to state-registered offerings.

Wit Capital, Direct IPO and the Ben Ezra-Weinstein group all plan to perform some due diligence in exchange for much higher fees or a percentage of the capital raised.

None of that guarantees fraudulent companies will not find their way on to the Internet, but Mr Wallman thinks the Internet's open nature makes it a difficult environment for fraudsters.

Risky ventures are another story. By their nature, capital-poor companies with no record are always a gamble. Mr Tom Stewart-Gordon, who monitors small offerings as publisher of Scor-Report, says that the deals work best in rural areas where everybody knows the people starting up the business.

"The Internet is a great source of information, but you don't have analysts monitoring the companies and that is a problem," he says.

There is a populist tone to the ideas of these would-be cyberbankers, who want to provide main street investors with a way in to companies that are usually only available to large institutions and rich venture capitalists.

In recent IPOs for companies such as Netscape Communications, the Internet software maker, and Yahoo!, the Internet guide, large institutions got most of their share allocations from the investment banks and many were able to sell them on to individuals at well above the offering price.

Eventually, Wit Capital hopes to create an Internet stock exchange that would use a database to match buyers and sellers without the intervention of expensive brokers.

But first Mr Klein will have prove that direct Internet share trading can be done under existing regulations. His first effort at trading was halted by the SEC because Spring Street was acting as its own transfer agent: under Spring Street's Wit-Trade system, potential buyers and sellers post offers on a bulletin board at the company's Web site, and then contact each other by e-mail or telephone to agree on a price. Once a price is agreed the purchaser sends a cheque to Spring Street, which transfers the money to the seller and the shares to the buyer.

The SEC has given Spring Street tentative approval to resume trading, assuming it finds an outside escrow agent to handle the trades and submits a plan of its new scheme to regulators for review.

E-Trade Group, a US electronic brokerage firm that offers share trading over the Internet, announced late on Tuesday that it planned to file a registration for an initial public offering by the end of June, writes Lisa Bransten in New York. This could herald one of the biggest IPOs over the Internet.

The broker has said it might underwrite at least a portion of its own IPO. Securities and Exchange Commission restrictions prevented the company from disclosing more details.

Recent IPOs of Internet related companies have been valued at three to 12 times forward revenues, according Mr Jonathan Cohen, an analyst at Smith Barney. That puts the value of E-Trade, which had revenues of nearly $10m in the fourth quarter of last year, at about $500m.

E-Trade was founded in 1991 by Mr Bill Porter, a physicist who was led in to on-line broking through his interest in getting stock quotes from his computer. It began offering on-line trading in 1992, mostly through on-line services such as America Online, and this year it began offering trading over the Internet.

This announcement appears as a matter of record only.

The Israel Electric Corporation Ltd.

THE ISRAEL ELECTRIC CORPORATION LTD

USD 100,000,000 TERM LOAN

ARRANGERS

Euro-Trade Bank Limited — The Sumitomo Bank, Limited — Union Bank of Israel Ltd.

LEAD MANAGERS

Bayerische Landesbank Girozentrale — Kredietbank N.V.

The Dai-Ichi Kangyo Bank, Limited — DG Bank-Deutsche Genossenschaftsbank

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AGENT

The Sumitomo Bank, Limited

FEBRUARY 1996

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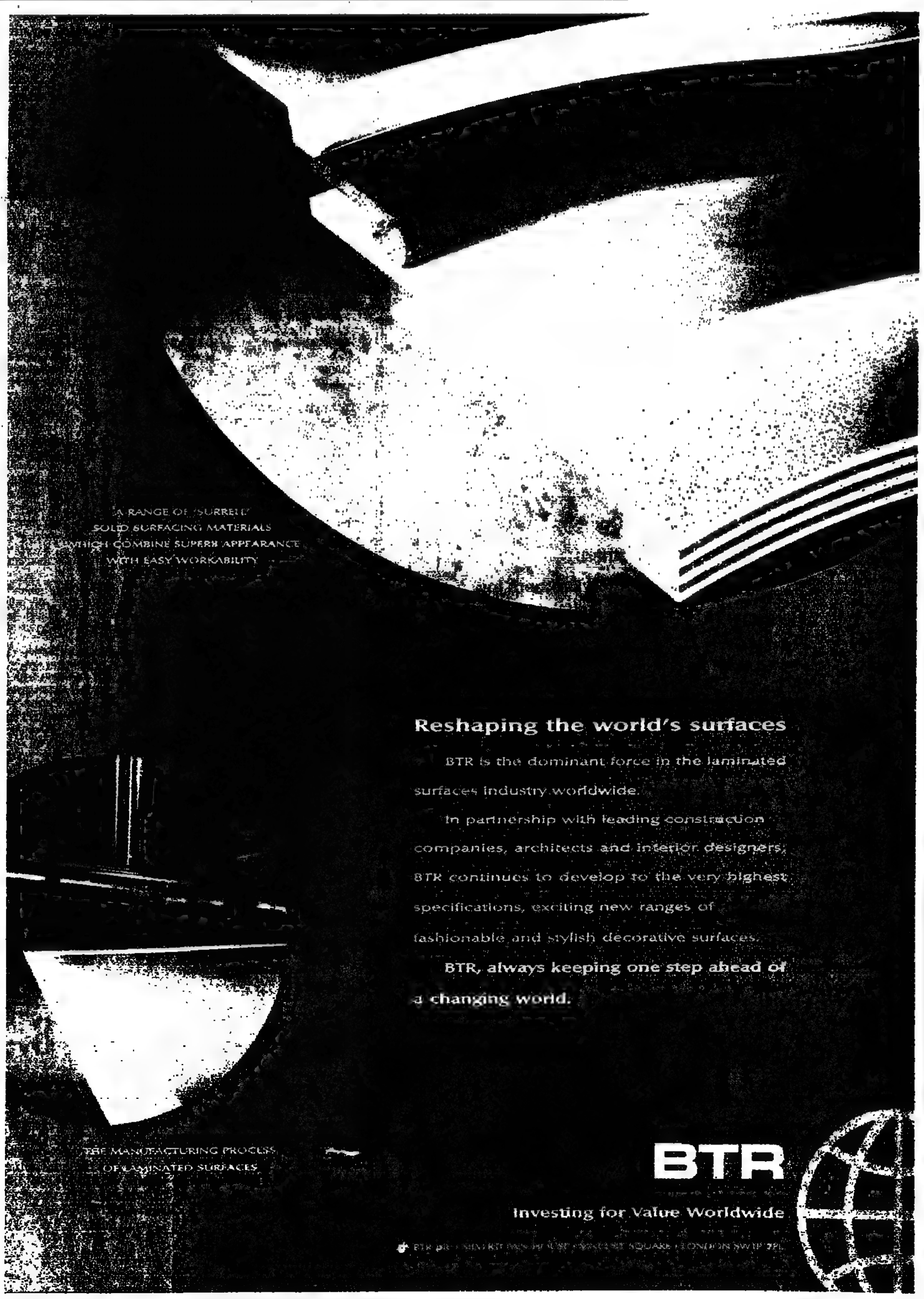

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April 22, 1996.

$233,053,768

maraven

Guaranteed Export Trust-PDVSA 1996-A

6.55% Certificates Due 2004, Series 1996-A

Evidencing Interests in Promissory Notes Guaranteed by the Export-Import Bank of the United States

Interest payable June 15 and December 15

Issue Price: 100%

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BA Securities, Inc.

J.P. Morgan & Co.

UBS Securities LLC

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April 25, 1996.

$250,000,000

BankAmerica Corporation

6.65% Notes Due May 1, 2001

Interest payable May 1 and November 1

Issue Price: 99.895%

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NOTICE TO HOLDERS OF THE 7¼ PER CENT. CONVERTIBLE SUBORDINATED BONDS 2007 (THE "BONDS") OF ROYAL INSURANCE HOLDINGS PLC

NOTICE is hereby given that, by a letter dated 8th May 1996 (the "Letter") enclosing a press release issued on 3rd May 1996 (the "Press Release"), Royal Insurance Holdings plc (the "Company") notified its shareholders that, in connection with the proposed merger between the Company and Sun Alliance Group plc ("Sun Alliance"), a scheme of arrangement under Section 425 of the Companies Act 1985 is to be proposed in relation to the Company pursuant to which all the issued share capital of the Company will be cancelled and re-issued to Sun Alliance and Sun Alliance will issue new shares to former shareholders of the Company. A copy of the Letter and the accompanying Press Release can be obtained from the offices of the paying agents specified below.

Details of the proposals to be made to the holders of the Bonds referred to above will be notified to holders of the Bonds in due course in accordance with the terms of the Bonds and will also be available from the offices of the paying agents specified below.

PAYING AGENTS

Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

Bankers Trust Luxembourg SA, PO Box 807, 14 Boulevard F D Roosevelt, L-2450 Luxembourg.

Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland.

The Directors of the Company accept responsibility for the information contained in this advertisement. To the best of their knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

COMPANIES AND FINANCE: ASIA-PACIFIC

News Corp shares slip in response to earnings fall

By Nikki Tait in Sydney

Shares in Mr Rupert Murdoch's News Corporation fell almost 3 per cent yesterday after the media and entertainment group announced a sharp decline in after-tax profits for the three months to the end of March – from A$251m (US$200m) in the period a year ago to only A$77m this time.

The fall, however, was mainly caused by a A$204m abnormal item – compared with a A$40m charge last time – resulting from losses on the sale of the educational book-publishing interests to Pearson, which owns the Financial Times, for US$575m in February.

The lower third quarter result brought the profit after tax and abnormals for the first nine months of the financial year to A$779m, compared with A$1.07bn in the first three quarters of 1994-95.

Before abnormals, third quarter profits were also lower – but by a much more modest 3.4 per cent. News made A$281m, down from A$291m in the third quarter of 1994-95. This left the nine-month profit figure at A$944m, compared with A$964m previously.

Revenues for the third quarter were up from A$2.88bn last time to A$3.05bn and for the nine months down from A$8.97bn to A$9.83bn. Earnings per share after nine months, before the abnormal charges, were down from 33 cents a year ago to 30 cents.

News said most of its business divisions posted gains. There was a strong performance by the film unit, which saw third quarter operating profits rise from A$48m a year ago, to A$63m – helped by good box office returns for *Waiting to Exhale*, *Broken Arrow* and *Braveheart*.

The newspapers division also held steady overall, at A$117m for the quarter – from A$116m – despite absorbing the large paper price increases. In the UK, the newspaper interests posted an 8 per cent improvement in operating profits, but the Australian business fell 4 per cent.

There was a weak performance by the TV division, where third quarter profits slipped from A$113m in the third quarter of 1994-95 to only A$77m this time. News said this reflected lower earnings at both Fox Broadcasting in the US, where higher licence fees and promotional costs cut margins, and at its Hong Kong-based Star TV business.

Third-quarter interest charges rose A$140m to A$160m.

The size of the abnormal item surprised some analysts, as did the weakness on the television side. News shares closed down 19 cents at A$7.01.

NEWS DIGEST

Reliance net profit up 22.6% for year

Reliance Industries, India's largest private sector enterprise, recorded a 22.6 per cent increase in net profit to Rs13.05bn ($378m) in the year ended March 31, against Rs10.65bn last year.

The textiles and petrochemicals conglomerate reported record total income of Rs80.58bn this year, up from last year's Rs73.31bn. Sales increased from *Rs70.19bn for the previous* financial year to Rs77.86bn. Operating profit rose from Rs16.23bn to Rs17.52bn and cash profit from Rs13.43bn to Rs16.42bn. Profit available for appropriation for the current year was up from Rs11.27bn last year to Rs13bn.

The directors recommended a total dividend payout of Rs2.75bn for the year, the largest in the Indian private sector. Reliance Industries is one of the most widely-owned companies in the world, with more *than 2.6m shareholders.* The company's net worth stood at Rs84.05bn and total assets at Rs150.38bn.

Reliance is setting up a 15m tonnes a year oil refinery at Jamnagar in Gujarat at a cost of Rs870m to supply liquefied petroleum gas, naphtha, gasoline, kerosene, diesel and other important petroleum products to its own petrochemical plants, and eventually for the domestic market. This is part of the company's strategy of vertical integration, under which it aims to be involved in the entire value-added chain – from oil production to the retailing of a variety of petroleum products to textiles. The company is also diversifying into new sectors . including energy, infrastructure and natural resources.

Shiraz Sidhva, New Delhi

Wesfarmers dips at nine months

Wesfarmers, the Perth-based energy and rural products group, has announced a 27 per cent fall in profits after tax during the first nine months of 1995-96. The company said yesterday that it made A$64.5m (US$51.6m) in the nine months to the end of March, down from A$88.5m in the same period a year ago.

It blamed the downturn on the depressed wool market, the drop in beef cattle prices and the slowdown in the house-building sector. Wesfarmers acknowledged that demand for fertilisers and chemicals was likely to be stronger in the final quarter of the current year, but said directors had again downgraded estimates of full-year profits. Shares in the group fell 12 cents to A$7.75. *Nikki Tait, Sydney*

James Hardie to close unit

James Hardie, the Australian building materials group, warned yesterday that the proposed sale of its international contracting business had fallen through, with the result that the operation will now be closed down. It expected the closure to result in an abnormal charge of A$6m (US$4.8m), bringing total abnormal charges in the year to March to A$27m.

Nikki Tait

Ampolex snubs Mobil arm's bid

Ampolex, the Australian energy group facing an unwanted A$1.5bn (US$1.2bn) bid from an offshoot of Mobil, the US oil giant, yesterday formally rejected the terms, saying the offer "does not recognise Ampolex's strong growth record and immense potential, let alone its specific value to Mobil". It has sent shareholders an "independent valuation report" by Grant Samuel, which puts the value of Ampolex shares at between A$4.44 and A$5.91. Mobil is offering A$4.25 a share.

Nikki Tait

India's NSE builds stock list for automated system

By Mark Nicholson in New Delhi

India's National Stock Exchange is canvassing local and foreign financial institutions to determine a list of the first 100 Indian stocks to be admitted to what the Bombay-based exchange hopes will become the country's first automated share depository.

Mr R.H. Patil, NSE managing director, believes the exchange will have a software package ready by September and could begin automated, book-entry share settlement operations in October, provided India's next government does the necessary legal groundwork in time.

He said the list of the first 100 stocks would be complete by next month. Mr Patil said the NSE, which is partnered in the depositories venture by the Industrial Development Bank of India, the country's biggest term-lending institution, and the Unit Trust of India, the biggest mutual fund, were "eight to nine months" ahead of rival consortia aiming to establish depositories.

Creation of a share depository to supersede the cumbersome, costly and erratic system of paper-based trading and settlement is expected to do more than any other single reform to improve the efficiency of Indian equity markets. It is also likely to trigger much bigger inflows of foreign portfolio investment, notably from US-based funds.

The government issued an ordinance last year permitting a system of multiple depositories. This has since lapsed and would have to be renewed by India's next government, being decided in elections this week, and put into law by the new parliament. Market officials foresee no political opposition.

In the meantime, Mr Patil said the NSE, which began operating as a rival to the Bombay Stock Exchange in 1994 and is owned by 20 Indian financial institutions, had shortlisted two technical suppliers from Sweden and Belgium for the depository.

Mr Patil also said the NSE had written to the biggest equity market participants asking each which stocks they would like to see as part of a start-up depository. He said that only 100 stocks would be admitted initially, but added: "We hope this will nevertheless be able to cover 50 per cent of the stock float in the market."

In the past year the NSE has risen in the last year to become India's chief equity exchange. In the past six months NSE volumes had surged to average three time those of the Bombay Stock Exchange, Mr Patil said.

Sony charts course for its brave new world

The group is focusing on hardware but building a digital role, says Michiyo Nakamoto

Sony, the consumer electronics group which celebrated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment.

Earlier this year Mr Nobuyuki Idei, a year in to his job as Sony president, outlined the corporate vision – a company that will "fulfil the dreams of the digital era". Soon afterwards, he announced a shake-up of the group to achieve that vision.

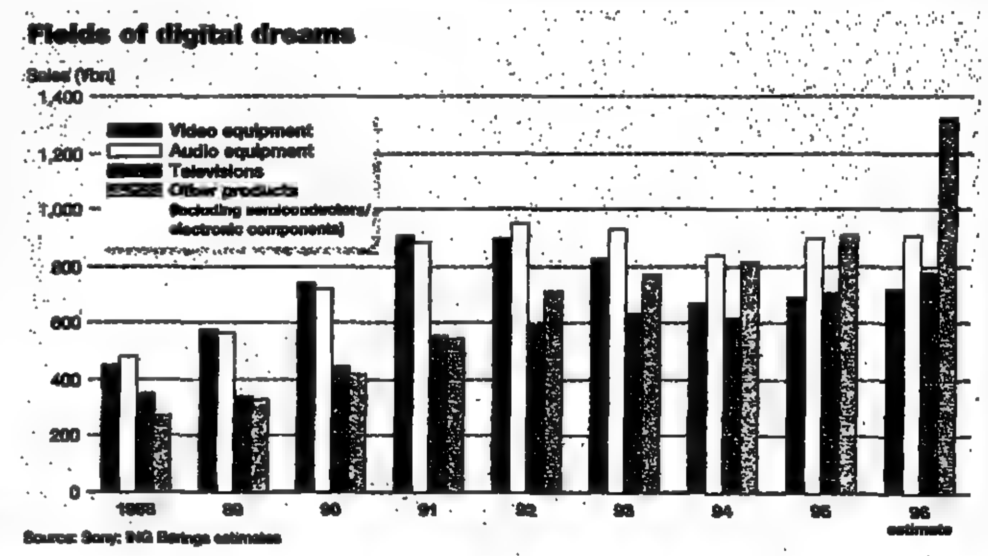
Sony has also agreed an alliance with Intel to enter the PC market, has joined an industry-wide alliance to standardise technology for digital video disks and is restructuring its US films operations, removing its former US chief, Mr Mickey Schulhof, in the process.

The flurry of activity suggests Sony is coming to grips with its role in the changing world of consumer electronics. During the past few years, it had looked like a company that had lost its way.

Problems at Sony Pictures Entertainment, its US film subsidiary, which has suffered falling sales over the past two years, resulted in a goodwill write-off. It also had to bend to a compromise after a public argument with Toshiba of Japan and consumer electronics groups over the digital video disc standard.

These were the more conspicuous signs of the difficulties facing Sony but at their root were the significant changes occurring in its main consumer electronics markets.

Large, lucrative markets, which once seemed to have an insatiable appetite for new electronic goods, have become battlegrounds for brutal price-cutting. At the same time,



Source: Sony; ING Barings estimates

analogue technology – long the basis for consumer electronics products – is increasingly being replaced by digital technology.

Sony is a very different creature from the 30-man operation that scored its first success selling radio converters in war-battered Japan and then went on to become the nation's most famous company. It now has 138,000 employees and embraces activities ranging from the production of electronic equipment to musical recordings and film, which created group revenues of Y3,983bn ($37.9bn) in the year to March 1996.

It was also transformed from a paragon of creativity and entrepreneurial spirit into a bloated, bureaucratic organisation, struggling to maintain sales in shrinking markets.

"Sony employs about 1,000 new graduates annually, which is enough to fill a new building each year," notes one company official. "But it cannot cut staff when things are bad. The dilemma for companies in post-war Japan, including Sony, is that they have to keep growing."

To support an organisation of such size, Sony has struggled to keep production up at all costs.

To do so, it adopted an aggressive pricing strategy that earned it notoriety among competitors. Sony "drove prices [of laser disc/CD players] so low . . . that any sense of quality premium that the Sony brand enjoyed in the Japanese market was all but extinguished," says one analyst.

While the problem of weak prices persists, particularly in the mature audio market, the environment is looking decidedly better for Sony.

The consumer electronics market is expected finally to start expanding again with the emergence of new multimedia products, such as digital video disc and multimedia PCs, based on digital technology.

Sony is no longer on the defensive and claims to have identified its role in the multimedia age. The focus of management energies has, understandably, been on the hardware business, which still generates more than 80 per cent of revenues.

Mr Idei's call to become a company of "digital dream kids" that will satisfy the desires of other "digital dream kids" provides the strategic vision while the latest restructuring offers the framework to achieve that goal.

The shift to digital broadcasting in the US and Europe, for example, "will affect our way of making products in very fundamental ways," points out Mr Idei. To cope with such changes, Sony is "building a structure that can deal with the shift to digital technology", he explains.

The strong emphasis on components is part of that structure. Even in the new markets, the ability to cut production costs by sourcing important components in-house will be a crucial determinant of success, says Mr Masashi Kubota, industry analyst at ING Barings in Tokyo.

Sony's particular strengths in encoder/decoder technology, disk drives, optical pick-ups and lithium ion batteries strengthen its ability to become a leading provider of digital products.

Meanwhile, rather than pursue elusive synergies between its hardware and software business, the company is now "simply trying to establish a *stable profitable* organisation in each of its key businesses: electronics, music and films," Mr Kubota says.

The film business is being restructured to concentrate on generating profits through reliable projects, such as TV programmes, rather than high-risk, high-budget movies, analysts note. Its music business has generally provided stable profits.

The greatest test of Sony's success in fulfilling its digital dream is likely to come through its alliance with Intel to produce a PC for home use.

As PCs increasingly become household items, Sony sees an opportunity to enter the home PC market. Since most people *find it difficult to use today's* PCs without intensive instruction "it is inconceivable that PCs will enter the home in their present form". Mr Idei believes. "We hope to make PCs that people can enjoy."

Given the strong reputation *it has built in the past 50* years, Sony seems well placed to succeed in the multimedia world. But the further it goes beyond its traditional borders in search of its digital dream, the more daunting the competition it faces from unfamiliar *rivals.*

Indosat posts 8.7% rise in opening quarter

By Manuela Saragosa in Jakarta

Indosat, the Indonesian state-controlled international telecoms carrier, lifted 1996 first-quarter net profit by 8.7 per cent, boosted by an 18 per cent increase in its international traffic volume.

Net income in the quarter totalled Rp114.6bn ($49.2m), compared with Rp105.5bn last time, while operating revenues increased from Rp238.8bn to Rp278.1bn, with 14.8 per cent of the advance coming from international telephone revenues.

Indosat's first-quarter traffic figure was slightly skewed by the inclusion of telephone traffic at special rates between bordering cities, such as Batam island, off Sumatra, and Singapore, which accounted for about 3m of the 134.7m minutes in total international traffic in the first quarter.

Net of this figure, international traffic grew by just over 15 per cent, which is consistent with Indosat's traffic growth for the whole of 1995.

The company's results came in slightly above market expectations, but there is still concern about the amount of market share Indosat is losing to Satelindo, a global system for mobile operators. It competes with Indosat in providing international direct dial services, although *Indosat* does have a minority stake in the system.

Indosat estimated that underlying growth in international telephone traffic for the whole market was about 24 to 25 per cent, implying Satelindo's market share gained between 8 and 10 per cent in the first quarter.

Satelindo's market share in 1995 is estimated to have been 7.7 per cent. Indosat's expectation is that by the end of this year Satelindo will have between 10 and 12 per cent of *the market.*

Indosat is also selling 2.5 per cent of its minority stake in Telkomsel, a GSM mobile phone operator in which PTT of the Netherlands recently acquired a 17.3 per cent holding for $304m.

It expects to raise between $40m and $50m to prepare financing of the new PCS/PCH – high frequency – cellular ventures.

Meanwhile, Telkomsel's GSM service is due to be launched in Jakarta – the main market for GSM cellular services – in June this year. Indosat estimates Telkomsel's subscribers will rise to 120,000 at the end of 1996, compared with 55,000 nationwide currently.

Marketing plans and loyalty card aimed at regaining market share

Sainsbury's 22-year run ends

By Christopher Brown-Humes

J. Sainsbury yesterday announced its first fall in underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card.

The group, knocked off top slot by Tesco in the last year, said pre-exceptional profits fell from £808m to £764m ($1.15bn) in the year to March 9. Relief that the figures were not worse and the promise of a fightback helped the shares rise 15p to 372p after a long period of underperformance.

The centrepiece of the fightback will be a loyalty card, reversing the group's staunch opposition to the concept and acknowledging the successes achieved by Tesco and Safeway with their versions of the card.

The group said it was strengthening management by appointing a chief executive of new businesses and said it would step up the conversion of its Texas DIY stores to its successful Homebase concept. "These initiatives suggest the group has regained some of the sense of direction which has been lacking over the last year," said one analyst.

Sainsbury's market share has slipped from 12.6 per cent to 12.5 per cent, while Tesco's has surged from 12.4 per cent to 13.9 per cent.

While Tesco saw UK like-for-like sales rise 8.9 per cent last year, Sainsbury's sales climbed only 2.6 per cent. Tesco has gained a reputation for being more dynamic and innovative in a mature market, with its highly successful Clubcard attracting 8m users.

Mr David Sainsbury, chairman, admitted the group had made mistakes. He said it had not moved quickly enough to get out a loyalty card in the right form.

The market was relieved that Sainsbury was attempting to regain market share with a loyalty card rather than cutting prices further. The group did not say how the card would work but said it would be launched within two months. A credit card would follow.

Sainsbury warned trading remained "extremely competitive" and expected no early improvement in its gross margin, which fell 0.7 percentage points in the second half of last year. Like-for-like sales rose only 3 per cent in the opening weeks of the current year – well below the 7 per cent achieved by Tesco. The group said it had not regained market share despite price promotions since January, but it had stabilised its position.

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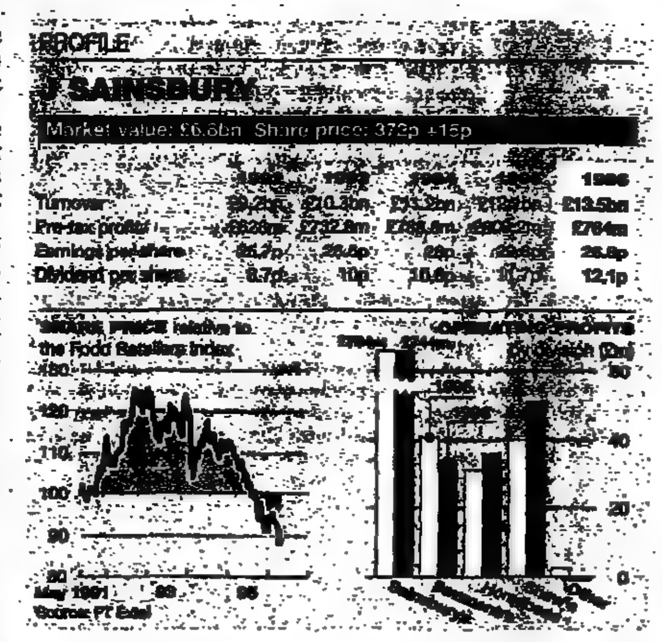


Royal Bank plans to increase its diversification

By George Graham and Ralph Atkins

Royal Bank of Scotland aims to make 20 per cent of its profits from new businesses outside its traditional banking and insurance core by 2000.

Mr George Mathewson, chief executive, announced the goal yesterday as the group reported profits up by 11 per cent at £301m ($455m) before tax in the six months to March 31.

The improvement was achieved despite a sharp fall in profits from Direct Line, the telephone insurance sales subsidiary. After a decade of growth, its profits fell from £45m to £5m.

Direct Line blamed bad winter weather, particularly in Scotland and the north of England. But it also said downward pressure on premiums had lopped £25m of its profit figures. Mr Mathewson predicted a "return to substantial profits in due course".

Despite the Direct Line setback, Mr Mathewson said RBS could repeat its success in markets such as credit cards and telephone sales of mortgages and deposits.

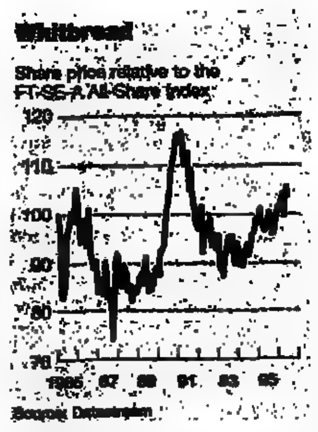
"We believe we can do well despite, and indeed because of, our limited market share. Companies with large market shares and high margins will find it difficult to compete with new entrants because of the damaging effect on their bottom line."

New businesses such as Direct Line's range of mortgages and deposit products sold over the telephone, the Ibos electronic payments network or a direct motor insurance venture in Spain contributed £20m.

The traditional banking business provided the strong core to the first-half performance. Profits from UK banking rose 23 per cent to £346m, while the contribution from Citizens Financial, its US retail banking side, almost doubled to £97m.

LEX COMMENT

Whitbread



There may be few signs of a pick-up in UK consumer spending to drive profits at Whitbread's pubs, restaurants and hotels, but its aggressive capital expenditure programme is doing the trick instead. Returns on investment in new or refurbished pubs and restaurants significantly exceed the cost of capital, with pubs generating annual returns of between 15 and 17 per cent. Capex is due to rise from £345m to more than £400m this year, and this should drive profits further. Of course, Whitbread has led the rush to develop new pub concepts, and as competitors catch up, there is a risk that returns will come under pressure. But with consumers feeling the benefits of tax cuts and building society pay-outs, the outlook remains positive. Whitbread should derive a third of profits from pure leisure businesses this year, but the unfashionable brewing operations provided the unexpected cheer yesterday. Second half brewing profits grew by about 15 per cent, with prices to both pub operators and retailers finally stabilising. Carlsberg-Tetley is set to add to the surge of consolidation in brewing, so the outlook for pricing is increasingly favourable.

Even so, Whitbread is trading at an 11 per cent premium to the market average p/e ratio for the current year. This is roughly in line with Bass and Scottish & Newcastle, yet its profits growth is likely to be slower. S&N is pushing through cost savings from its Courage acquisition, while Bass's pub estate is in dramatic catch-up mode and the purchase of Carlsberg-Tetley could further enhance earnings. Whitbread's competitors look better value.

Panel attempts to clarify Lucas plans

By Tim Burt

The Takeover Panel yesterday tried to defuse the bid speculation over Lucas Industries by persuading the automotive and aerospace equipment manufacturer to issue a statement denying that its talks with Varity Corporation of the US could lead to a takeover of the UK group.

Shares in Lucas fell 6½p to 227p after the company said its discussions were not expected to prompt a bid by Varity, North America's largest brakes manufacturer.

Earlier this week, the two companies said they were in talks that could lead to a full merger or strategic combination of some businesses. Varity and Lucas yesterday denied that the US group had ever contemplated a takeover bid.

The panel, however, warned Lucas it would impose an "offer period" on the company, forcing it to issue details of share dealings, if it failed to issue a statement.

Some analysts accused the panel of muddying the waters, with one claiming that yesterday's statement would only confuse investors.

So far, the two companies have described the talks as preliminary and indicated that while they could lead to a full merger, they might also result in no more than a joint venture agreement on the brakes side.

Lucas is one of Europe's largest manufacturers of foundation brakes. Varity, which formerly owned Massey Ferguson, has a dominant position in anti-lock braking systems in the US.

Zeneca sells textiles colours to BASF

By Daniel Green

Zeneca is to sell its textiles colours business to BASF, the German chemicals and drugs company, for up to £150m ($226.50). The deal completes the disposals of poorly performing businesses announced by Zeneca on March 7. The company said yesterday no further disposals were planned.

The textile colours business had sales in 1995 of £200m and will transfer net assets of about £85m to BASF. Zeneca had discussed the business with several European chemicals companies.

This includes sites at Ellesmere Port in the UK, Jacarei, in Brazil, and a US warehouse, mixing and re-packing plant in Charlotte, North Carolina.

About 780 Zeneca employees will transfer with the business.

Zeneca, which is best known for its pharmaceuticals, also has businesses in agricultural sciences, such as seeds and agrochemicals and specialist chemicals.

It will be integrated into BASF's textiles and leather dyes division.

The acquisition will move BASF into third place among the world's textile dye producers. The addition of Zeneca's products will expand BASF's business in dyes for cellulosic fibres in particular.

The payment of up to £138m in cash, depends upon, among other things, a stock count, plus net working capital valued at £11.9m at completion of the deal.

Weak US hits shares in Tate & Lyle

By Roderick Oram, Consumer Industries Editor

A warning from Tate & Lyle yesterday that increased US corn processing capacity and surging corn prices would dent annual profits triggered a sell-off in its shares and cuts in analysts' forecasts.

The shares closed down 14p at 462p, as analysts said pre-tax profits would fall £20m short of last year's £311m ($470m) against previous forecasts of flat profits. Investors were also disappointed that Tate lifted its interim dividend by only 6 per cent to 5.3p.

Pre-tax profits for the 26 weeks to March 30 rose 10 per cent to £168.2m, broadly in line with forecasts. Weakening profits from US corn starch and sweeteners were offset by rising profits from Europe and emerging markets.

Staley, Tate's US corn starch and sweetener producer, had hedged all its corn supplies for the rest of the financial year to September, Sir Neil Shaw, chairman said. However, the cost of securing supplies as prices rose rapidly was a key factor behind a £254m increase in first-half working capital and a £284.9m rise in net debt to £915.9m.

Analysts suggested, however, that competitive pressures from excess capacity rather than the price of corn was the real threat to profits. Sweetener prices are set in industry-wide annual negotiations led by Tate and the three other main producers.

Whitbread plans further spending

By Roderick Oram, Consumer Industries Editor

Whitbread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this year to help it sustain profits growth which is among the best in its sector.

The brewing and leisure group reported yesterday an 11 per cent increase in pre-tax profits to £283.1m ($428m) for the 53 weeks to March 2. All divisions contributed to the growth which was slightly ahead of forecasts.

Roughly half the profits rise came from organic growth and half from the acquisition of Marriott hotels in the UK and David Lloyd sports clubs.

Capital expenditure, excluding acquisitions, should rise from £345m to "a little over £400m this year" Mr Peter Jarvis, chief executive, said. Pub profits, for example, benefited from "our strategy of new, large, contemporary outlets".

Whitbread Inns, its managed pubs, lifted operating profits 18 per cent to £129m within which food profits rose 20 per cent. On average, one of its pubs sells about £100,000 of food a year compared with an industry average of £59,000. Total turnover including drinks averaged £384,000 against an industry average for managed pubs of £359,000.

"Everybody is piling into food so we'll have to work hard to keep in front," Mr Jarvis said.

The risk behind Olayan's bets

Roula Khalaf and Samer Iskandar analyse the National Grid deal

Combine Warren Buffett's long term investment outlook with George Soros's appetite for risk and you get an idea of what Saudi billionaire and financier Suliman S Olayan is about.

Mr Olayan made headlines last week when he entered into a derivatives transaction with HSBC James Capel to hedge the stockbroker's risk in the purchase of 210m National Grid shares from Hanson, the industrial conglomerate.

The move raised questions about foreign intrusion into the UK utilities sector and led to speculation about a possible takeover.

But what lies behind Mr Olayan's decision to invest in the Grid is typical of the way this contrarian value investor operates.

Mr Olayan is known as a long term friendly investor who looks for sectors he understands and for companies with stable businesses and management, but which are undervalued by the market.

He has increasingly developed the reputation of an investor who resorts to sophisticated financial engineering to take big gambles on stocks he likes.

At the 192½p a share that Capel paid Hanson, the Olayan Group believes the stock to be undervalued and the risk of a drop in the price minimal. And instead of buying the stock outright, it has used derivatives to enhance its return.

Neither James Capel nor Olayan will comment on the details of the transaction but this is how the deal is likely to have been structured, according to equity derivatives specialists.

The aim is that James Capel and Olayan "share the upside". The stockbroker is believed to have sold an over-the-counter call option, which allows its holder, in this case the Olayan Group, to benefit from a rise in National Grid's share price. Such options are often leveraged, so holders receive a multiple of the profit they would have achieved by buying the underlying share.

In order to underwrite Capel's downside risk from owning the shares, equity derivatives traders said this deal probably involved Mr Olayan selling put options to Capel – in effect agreeing to bear the loss if the stock drops below a predetermined level.

The structure of this arrangement reflects both Mr Olayan's appetite for risk-taking and his bullish expectations on National Grid. Furthermore, Mr Olayan seems to have accepted a substantial downside risk, showing that he considers this occurrence unlikely.

The 77-year-old Mr Olayan has come a long way. From middle class beginnings in Saudi Arabia, he has built a group which has become an influential investor on world markets.

Mr Olayan started his career nearly 60 years ago as a truck dispatcher for Aramco, the Arabian American Oil Company. He then set up a company to import oil equipment and won a contract for part of Aramco's first big trans-Arabian oil pipeline. Today, with a fortune estimated by Forbes Magazine at $3bn he is Bechtel's joint venture partner in Saudi Arabia and his businesses include licences for Colgate-Palmolive, Coca-Cola, Kimberly-Clark and Burger King.

Suliman S Olayan is known as a long-term friendly investor who looks for sectors he understands and for undervalued companies with stable businesses and managements

But his operating businesses are dwarfed by his investments, which include an estimated $300m-plus portfolio on the Saudi stock exchange.

Mr Olayan seems to have a penchant for financial services stocks. As a former bank chairman in Saudi Arabia, he knows the business well. When the market was down on bank stocks in 1991, Mr Olayan chose to increase his stake in Chase Manhattan to 5 per cent. He made headlines in 1988 when he provided $600m in bridge financing to facilitate the merger of First Boston with Credit Suisse First Boston. Today he also has stakes in JP Morgan and Transamerica.

Mr Olayan knows a thing or two about the energy sector, having been an investor in Mobil Oil and Occidental Petroleum. He has made clear that he has no intention to gain control of National Grid. What his group sees in the Grid is mainly a stock market play: it views the UK transmission company as an undervalued utility stock with a very good yield and more than 7 per cent forecast annual dividend growth.

Olayan is believed to have been eyeing the Grid for a while, but to have balked at the price at which Hanson was peddling the stake last year. Olayan has taken an interest in the shares through other derivatives transactions in the past few months.

HSBC is the Olayan Group's main banker and last week was able to agree a deal with Hanson whereby it would buy the shares at 192½p, about 3 per cent below the then market price. James Capel is the owner of the shares and even if it sold them, as long as the derivatives contract has not expired, Olayan would still maintain its economic exposure to the company.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Avon Rubber	6 mths to Mar 30	172.2	(150)	10.2	(7.48)	24	(18.6)	5.75	July 26	5.35	-	17.7
Beattie (James)	Yr to Jan 31	90.3	(85)	5.87	(6.27)	9.1	(8.9)	5.05	July 5	4.9	6.65	6.4
DCC ♣	Yr to Mar 31	528.5	(404.7)	28.9♥	(25.3)	25.36	(22.15)	4.19	July 1	3.76	6.9	6.16
[illegible]	6 mths to Mar 31	12.8	(12.4)	0.656	(0.2)	1.86	(0.76)	nil	-	nil	-	nil
Raven Resources ⊖☆	Yr to Dec 31	25.9	(14.6)	5.67♥	(1.87)	5.64	(1.78)	-	-	-	-	-
Oriel	Yr to Dec 31 ★	23.8	(18.4)	7.6L♠	(1)	26.96L	(0.97L)	3.25	Sept 20	3.25	5.25	5.25
Royal Bank Scotland	6 mths to Mar 31	-	(-)	301	(270)	21.3	(20.1)	5.4	July 19	4.6	-	16.2
Sainsbury (J)	Yr to Mar 9	13,499	(12,065)	712♠	(809)	26.8	(29.8)	8.7	July 26	8.5	12.1	11.7
[illegible]	6 mths to Mar 31	30.6	(27.1)	3.32	(2.81)	5.3†	(4.6)	2.1#	July 7	1.8	-	3.4
Sidlaw	6 mths to Mar 31	141.2	(140.7)	4.01L♠	(1.16L♠)	5.4L	(2.7L)	1	July 12	4.5	-	11
Tate & Lyle	6 mths to Mar 30	2,528	(2,093)	168.2	(152.8♠)	26.2	(25.3)	5.3	July 16	5	-	16
Titon	6 mths to Mar 31	5.95	(6.36)	0.823	(1.08)	5	(6.63)	1.6	July 1	1.5	-	4.7
Whitbread	53 wks to Mar 2	2,750	(2,472)	285.7	(275.4♥)	46.08	(42.76)	16.1	July 19	14.85	21.85	20.2

Investment Trusts		NAV (p)		Attributable earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Glasgow Income	6 mths to Mar 31 ★	49.83	(45.06)	0.499	(0.472)	1.61	(1.52)	0.6♦	Aug 30	0.6	-	2.8
Govett Oriental	Yr to Mar 31 ★	427.2	(361.89)	3.49	(1.92)	1.94	(1.07)	1.1‡‡	July 1	0.8	1.5	1.2
Saracen Value	Yr to Mar 31 @	110.8	(87.77)	11.88	(2.61L)	21.36	(7.59L)	0.6	June 28	0.6	1.2	1.2
Secs Tst Scotland	Yr to Mar 31	100.3	(84.3)	12	(11)	3.74	(3.44)	2.53	July 3	2.29	3.61	3.37
German Smaller	Yr to Mar 31 ★	127	(126.5)	0.442	(0.274)	1.11	(0.76)	1.04‡	July 11	0.75	1.04	0.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ⊖OTC stock. ☆US currency. ΦAim stock. §USM stock. #Second interim; makes 4p to date. ★Comparatives restated. ♦Second interim; makes 1.2p to date. ‡Includes foreign income dividend of 0.79p. ‡‡Foreign income dividend. @Comparatives for 55 weeks.

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Airport belt in the bag

Computerised baggage handling systems have had a bad name since the 1993 opening of Denver airport was delayed by serious glitches with its baggage technology.

But Matflex, a French handling equipment manufacturer, believes it has designed an electronic handling system that will be more reliable than its predecessors. Its Telebag system is going to be installed at Jersey airport next year.

The Telebag system uses individual, low-slung carts – known as "destination coded vehicles" – for each passenger's luggage. The electronically coded carts run on an aluminium track using linear motor technology at a speed of up to 5m per second.

The baggage is loaded on to the cart near the check-in desk, where the cart is coded with information about the passenger and the flight number. The carts are guided by a management control system linked to process logic controllers on the track, which direct them to a point where they can be loaded on to the aircraft.

Jean Sebillaud, technical director of Matflex, believes that breakdowns will be rare because the system has only seven moving parts. The system should not grind to a halt even if a cart breaks down because a functioning cart would be able to push the faulty one out of the way.

Jersey airport believes that its system of 40 carts, which will cost £750,000, will be 30 per cent cheaper to run than a conventional conveyor belt system.

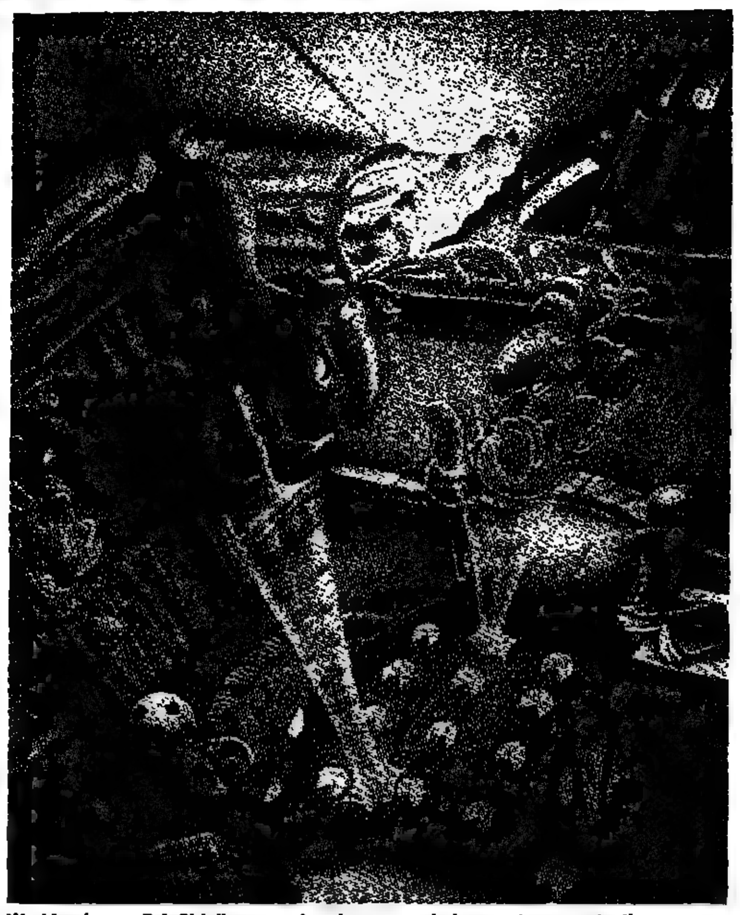
It will cut costs and energy consumption because the number of carts can be tailored to demand. "We want to use the best system available that can meet quite different demands at different times," says Michael Lanyon, airport director.

If the Matflex system lives up to its promise, the airport should be able to transfer bags more quickly, cheaply and accurately.

Vanessa Houlder

Going parallel

A cut-price version of supercomputing is within reach, explains **Vanessa Houlder**



Working in parallel: Siriol's computers have speeded up cartoon production

At Siriol Productions' animation studios by the docks in Cardiff, the computers are no longer switched off at night. Instead, a program takes advantage of the unused computer power on the company network to colour and shade the newly drawn cartoons and introduce special effects.

The recently installed software saves money and time. When this painstaking, time-consuming, work was done by hand, it was one of the slowest parts of the cartoon production process. By computerising the process, costs have been cut from £2,000 per minute of the cartoon to £800 per minute; the time taken to make a 10-minute cartoon has been reduced from months to weeks.

What makes this example of computerisation interesting is its speed. A conventional computer program would run extremely slowly since animation – which often involves 500 images per minute – requires vast amounts of processing power.

But in the case of Siriol, its eight Pentium computers are linked together in parallel in a network. The software divides the workload so that the computers work three to four times faster together than they would separately.

This ability to work in parallel is the result of a European Commission-sponsored collaboration between Siriol, Perihelion, a software company, and Cambridge Animation Systems, the owner of the original software called Animo. At a cost of £500,000, it "ported" or recast the original software so it would run on a parallel system.

All three companies are pleased with the results. Lynne Stockford of Siriol Productions describes the savings that have resulted from the Animo program as "a revelation". "Going parallel on cheap computers really is the answer," says Peter Stansfield, consultant to Cambridge Animation. Since getting involved in the project, it has sold several hundred of the Animo systems to the Dreamworks and Warner Bros studios.

The European Commission, which half funded the project, is also enthusiastic, treating the Animo program as a showpiece in its Ecu20m (£16m) Europort project. This project, which is part of the Esprit programme on information technology, is designed to foster greater availability and take-up of programs that can run in parallel.

Its enthusiasm for parallel processing is based on the idea that it is a relatively cheap method of securing high-performance computing. Parallel processing machines can be made by linking dozens, sometimes even thousands, of inexpensive industry-standard microprocessor chips. In certain cases, such as that of Siriol, it can be achieved by the even cheaper approach of linking PCs or workstations in a network.

The Commission argues that supercomputing is no longer merely the domain of grandiose projects such as nuclear physics and long-range weather forecasting. A cut-price version of supercomputing is within the reach of even small businesses, it says.

The Commission believes that its role is to make software for parallel processors more widely available. According to Adrian Colbrook, a principal at Smith System Engineering which is managing many of the Europort projects, it is trying to tackle the problem that most available industrial or commercial software was written many years ago and cannot exploit the capabilities of parallel processors.

Recasting programs for parallel processing machines is time-consuming and expensive. As a result, there is deadlock. Application developers argue that there is no end-user market for parallel code, and end-users feel there are no applications to run on parallel architecture.

The Commission's solution to this conundrum has been to produce commercially usable parallel code that would demonstrate the benefits of parallel computer technology for a wide range of industries.

It chose 38 programs to be ported. They were tackled by project teams that included the owners of the program, the parallel software experts, and end-users including ABB Robotics Products, Agip, Bayer, ICI, Unilever and Zeneca. The resulting code has been tested and compared on the whole range of parallel machines available, from workstation clusters up to massively parallel processors.

Parallel processing is not the answer to all computing problems. The type of application involved in Europort typically involves heavy, mathematical computation, and moreover lends itself to being split into discrete tasks, which have minimal need for interaction during processing.

Applications range from relatively traditional uses for parallel processing such as fluid dynamics and structural mechanics to less common ones such as earth observation, radiotherapy, network simulation and drug design. For example, E. Merck, the German pharmaceutical company, Parsytec, the manufacturer of parallel computers and the European Molecular Biology Laboratory worked on porting "MaxHom" software. This technology searches protein databases for information that relates the sequence of amino acids (chemical units) in a newly discovered protein to known protein structures. Thus, it allows researchers to build models of the three-dimensional shapes of protein molecules. Now that the software can run in parallel, it delivers answers to complex searches in minutes instead of several hours.

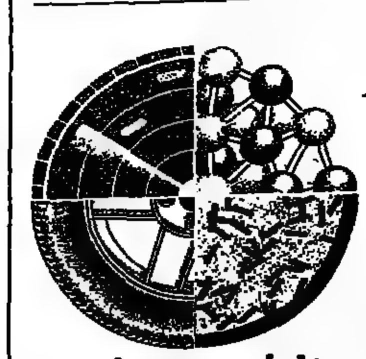
But the Commission's role is controversial. Its record in promoting supercomputing hardware in Europe has largely been unsuccessful. Some critics believe that its efforts at promoting parallel processing software will, at best, be an irrelevance.

Jane Doorly, director of systems software and services at Dataquest Europe, the research group, suspects its work is unnecessary. "Most of the major software codes have been ported, or are in the throes of being ported," she says.

Furthermore, she does not believe that companies need to be convinced about the merits of parallel processing. "Most users already know the benefits of parallel systems," she says.

But those involved in Europort disagree. Agnes Bradier, a project officer, believes that the benefits of parallel processing could reach a much wider audience. "We are taking massively parallel processing out of the laboratories and putting it on the desktops of the small- and medium-sized enterprises," she says.

Worth Watching · Vanessa Houlder



'Lefty' gene points way on asymmetry

Why is the heart on the left side of the body? Until recently, there have been few clues to the molecular basis of this kind of asymmetry.

In Nature magazine today, Japanese scientists at the Tokyo Metropolitan Institute of Medical Science and Osaka University describe a gene called "lefty" that could be responsible for left-right asymmetry. It appears to produce a hormone that guides the formation of tissues and organs by its concentration gradient.

The "lefty" hormone appears in a transient and asymmetrical fashion in the mouse embryo before the first signs of asymmetry emerge. In mutant mice, where the organs are laid out in a mirror-image of the usual plan, the pattern is reversed.

Nature also publishes reports from scientists at Harvard University and the National Institutes of Health who have described another gene, "nodal". It too appears to have an important role in determination of left-right asymmetry.

Tokyo Metropolitan Institute of Medical Science: Japan, tel 68797994; fax 65789846.

Optical switch's potential for storage

The Georgia Institute of Technology is working on a light-activated optical switch that could ultimately be the basis of a miniaturised data storage system.

Previous attempts to make optical switches have used irreversible photochemical changes to store information, meaning that data could be written to them only once. But Georgia Tech can make the system rewritable, which could make the switches valuable for storing computer data.

The switch is based on left- and right-handed molecules which are affected differently by varying forms of polarised and unpolarised light. The system, which is many years away from a practical application, would be able to store data in three dimensions, allowing large amounts of information to be packed into a small space.

Georgia Institute of Technology: US, tel 4048943444; fax 4048946983.

Bicycle shed's high-tech treatment

A high-tech, space-saving bicycle shed is to be built at a railway station at Krefeld, near Düsseldorf. The Fraunhofer Institute for Material Flow and Logistics has adapted warehousing technology in its design. The bicycle owner takes a ticket from a machine that opens the shed. The bicycle is secured using a wheel clamp and carried on a carousel to a storage level. The system can store 3,000 bicycles on several levels.

Fraunhofer Institute for Material Flow and Logistics: Germany, tel 2319743217; fax 2319743336.

Geographic data more available

Many businesses find computerised geographic information systems helpful when analysing data by locality or region. But making full use of Gis often requires specialist programming skills. Kingswood, a UK Gis specialist, and Alsoft, a French developer, hope to bring Gis to a wider audience by launching the UK version of Geo Concept, a geographical information system that can be linked to a company's existing databases and spreadsheets without expert programming.

Kingswood: UK, tel (0)181 994 5404; fax (0)181 747 8047.

Keeping tabs on food temperatures

Food retailers will be able to review the temperature of food on its journey to the supermarket with an electronic system. The Temperature Tempit Logging system, developed by J. Sainsbury and Industrial Electronic Automation, consists of a plastic tag that records temperature data which can be linked to a PC and read on arrival.

J. Sainsbury: UK, tel (0)171 921 6000; fax (0)171 921 0156.

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COMMODITIES AND AGRICULTURE

LME acts to limit impact of copper market squeeze

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange board took action yesterday to limit the impact of a technical squeeze rapidly developing in its copper market. Traders suggested that US hedge and commodity funds were on the wrong end of the squeeze and were likely to suffer big losses after going short – selling metal they did not own in the expectation that they could buy later and make a profit.

The LME imposed a limit on the cost of carrying forward a short position for one day. From today holders of short positions who are unable to deliver copper must pay a penalty of 1 per cent of the previous day's official settlement price. Yesterday's settlement price was $2,833 a tonne. Before the LME's action it was costing about $2 a tonne to carry forward a short position for a day but this increased to $3 shortly afterwards.

Analysts were surprised by the intervention. One suggested: "We can only assume that Mr King [Mr David King, the LME chief executive] saw something in the confidential daily reports from brokers which alarmed him and the action was to pre-empt a disorderly situation".

They pointed out the board had not taken action at times when the copper squeeze had seemed to be more severe – for example in December when the backwardation (premium for copper for immediate delivery compared with three-month metal) had risen to $320 a tonne.

Last night the backwardation was $147.75 a tonne after cash copper closed up $53 at $2,845.25 while three-month metal was $2,697.50, up $34.50.

Mr King refused to be drawn about the reasons the board acted after its scheduled monthly meeting. He did refute suggestions that the exchange had "baled out the shorts." He said: "We have never baled anybody out and we will not while I am chief executive".

Analysts said a strike at Chuquicamata in Chile, the world's biggest copper mine, problems at RTZ-CRA's new Bingham Canyon smelter in the US and low stock levels were combining to make consumers nervous about copper deliveries in June.

Cocoa body predicts surplus

By Alison Maitland

The first cocoa production surplus in five years was predicted yesterday by the International Cocoa Organisation.

The organisation, which represents both consumers and producers, forecast a small surplus of 10,000 tonnes this year, ending a four-season sequence of production deficits. In December it forecast a deficit of 80,000 tonnes for this year.

Its prediction was based on expectations of dramatically higher production in West Africa in the current year, ending September, which outweighed forecasts of record consumption.

The London-based ICCO said production had been revised up by 119,000 tonnes from its December forecast to 2.66m tonnes.

"The overall increase reflected mainly better than anticipated crops in the West African region, particularly in the two leading cocoa-producing countries," it said.

Output from Ivory Coast, the world's biggest producer, was forecast at 1.05m tonnes, up 100,000 tonnes, while Ghanaian production was now expected to be 375,000 tonnes, or 45,000 tonnes higher than the previous forecast.

The forecast for Nigeria was up 5,000 tonnes to 145,000 tonnes. But the ICCO lowered its forecasts for Malaysia and Indonesia.

At the same time, cocoa bean grindings, which represent consumption, was put at a record high of 2.68m tonnes, an increase of 27,000 tonnes over the December forecast.

In Europe, the organisation predicted that the Netherlands and the UK would each use 10,000 more tonnes than previously forecast at 380,000 tonnes and 170,000 tonnes respectively.

Grindings in Ivory Coast and Ghana were also expected to be significantly higher.

The ICCO said total stocks overhanging the market – excluding its own declining buffer stock – would be 1.11m tonnes at the end of the year. This was the equivalent of just over five months of projected annual consumption.

World Cocoa Balance ('000 tonnes)

	Net Crop	Grindings	Surplus/ Deficit
1995-96	2,637	2,627	+10
1994-95	2,308	2,532	-223
1993-94	2,443	2,493	-50
1992-93	2,358	2,407	-49
1991-92	2,255	2,322	-67
1990-91	2,482	2,335	+147

Source: ICCO. Net crop equals gross crop less 1% for loss of weight in processing. Crop years run from October 1 to September 30.

Crop scouts view America's bitter harvest

The damage is more extensive than agronomists had expected, writes Laurie Morse

Several dozen of the nation's top wheat experts fanned out across the length and breadth of Kansas last week, seeking evidence that the state's beleaguered wheat crop might have the potential to recover. Crop scouts hoped to find that wheat in at least the northern portions of the state had escaped the havoc wrecked by six months of drought and fickle winter weather.

Instead, said Mr Ben Handcock, President of the US Wheat Quality Council, and a farmer who has been looking at wheat all his life: "The situation was the worst I've ever seen, and far worse than the poor crop of 1989. . . We expected to find a lot of bad wheat, but personally I didn't believe it was this bad. It is."

Damage was more broadly distributed than agronomists had expected, and the potential for the wheat – a resilient plant – to recover was deemed slim.

Kansas, which usually produces three quarters of the nation's hard red winter wheat, is facing its smallest crop since 1963. Although analysts who toured the state last week gave widely varying estimates of a potential harvest – the crop has just emerged from dormancy, and won't produce grain for another month – the consensus estimate was a mere 170m bushels, far below last year's rather poor production of 286m bushels, and less than half the state's 5-year average of 367m bushels.

> 'The situation was the worst I've ever seen, and far worse than the poor crop of 1989.'

The Kansas wheat tour served to confirm what the US Department of Agriculture has been saying in regular weekly bulletins since early March, that more than half of this year's US winter wheat crop – a bread making wheat popular for export – is in poor condition. Grain traders have been reacting to those reports by bidding up harvest-time prices by more than 20 per cent and racheting up prices for other grains, like maize, as well.

Until recently the rally had been considered a "weather market", with traders betting that rain could improve the harvest. Now, however, tour participants say that farmers will abandon millions of acres of wheat fields and if rains do come in the next few weeks the improved moisture will simply prompt growers to rip up marginal wheat stands to plant summer-growing sorghum.

Weather will continue to rule wheat prices in Chicago because marginal production in the southern plains could still be offset by a bumper crop of spring-planted wheat in more northern states. However, spring wheat seedings are being slowed by rain and cool weather. As of Sunday, spring wheat planting was only 22 per cent complete nationwide, compared with a five-year average of 52 per cent at this point in the season.

The USDA will release it own first estimate for US winter wheat production tomorrow. Market analysts expect the agency to sharply reduce its forecast for harvested acres, though many do not expect the USDA to peg Kansas production below 200m bushels just yet. In the wheat production equation, they say, the unknown factor in the US southern plains is just how many of the 11.6m acres of winter wheat planted last fall will be abandoned.

For winter wheat growers, the onset of new farm legislation this year will almost certainly preclude special disaster assistance. Most were required to purchase some level of crop insurance last year by the government. "Its going to be another lean year," says Mr Terry Kohler, manager of the Farmers Co-op Elevator in Garden Plain, in South Central Kansas, "the insurance will just about cover people's planting costs, but nothing more."

In Kansas cattle rearing usually helps round out the farm budget, but the business has been unprofitable this year.

Wheat makes up only a tiny portion of the cost of a loaf of bread or a box of breakfast cereal, so economists are not predicting significant food inflation as a result of low worldwide grain stocks and historically high prices. However, countries accustomed to using low-quality wheat as animal feed will be badly affected by short world wheat supplies. "Countries in Europe and Asia that use low grade wheat for feed will be first affected," says Mr Warren King, a wheat market analyst for Cargill Investors Services in Chicago.

New Zealand dairy farmers set for bumper year

By Terry Hall in Wellington

New Zealand's dairy farmers can count on handsome returns this season – helped by exceptionally good late season weather, which has led to bumper production.

The New Zealand Dairy Board estimates that the average dairy farmer will receive a record payout for this season of around $NZ4 (US$2.75) per kilogram of milk solids. This is 80 cents more than last year, which was also considered "good".

The latest projection follows estimates by the board that its total payout this season will be between $NZ3.55 and $NZ3.60 a kilogram. On top of that local dairy companies pay "top-up" amounts. While these vary, the average last season was 40 cents a kilogram. The board will announce its final pay-out decision at the end of this month.

The financial bonus has come from unexpectedly high production and a combination of skilful international selling and good markets, which has ensured all products will be sold.

The board estimates that production will hit a record of 780m kg. Until last month it had projected 1995-96 season production at around the 760m kg mark.

Board spokesman Mr Neville Martin said this week that farmers had been helped by excellent grass growing conditions throughout the summer and into the autumn – which more than made up for a difficult spring last year. Production had been especially good in the top half of North Island – in the Waikato, Northland and the Bay of Plenty. It had been less good in the lower half of the island, including Taranaki and the Manawatu.

Looking ahead, Mr Martin said that the feeling was that farmers might face a modest fall in pay-out in the coming season in spite of expectations of higher production as increasing numbers of farms were being converted to dairying, especially in the lower half of the North Island and in Southland. There had been steady rises in international prices, he added, and the New Zealand industry was concerned at a possible market reaction. Devaluations in the important Venezuelan and Mexican markets had hurt sales.

The board was adopting a cautious approach to "mad cow disease" in Britain, said Mr Martin.

"There are a lot of imponderables here. We don't know to what extent the British will be able to crank up milk production after the culling programme and in any case European dairy imports are covered by quotas." However the disease had the potential to mean that Europe would export less dairy products – which could open greater prospects for New Zealand. "No one is expecting a spectacular improvement in markets overnight, although it could lead to gradual benefits for us."

A board study into how the General Agreement on Tariffs and Trade settlement functioned in its first year showed it had led to upward pressures on prices. Mr Martin said the board moved quickly to seize new opportunities including slightly better access to Europe and the US.

"We are selling cheeses that have not been seen before in the States and that are tailored for American tastes," he said. Americans were used to consuming cheese produced from grain-fed beef, rather than grass-fed, and the board had tailored fresh natural cheeses meet that demand. Up to now New Zealand had supplied processing grade cheese to the US.

The Gatt settlement had allowed the board to start selling Gouda cheese to the Netherlands – "a real coals to Newcastle story that one!" – and a specialist New Zealand Emmatahaler cheese was also meeting good demand in Europe. In addition a new market in Portugal was being developed.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne) [illegible]

ALUMINIUM ALLOY ($ per tonne) [illegible]

LEAD ($ per tonne) [illegible]

NICKEL ($ per tonne) [illegible]

TIN ($ per tonne) [illegible]

ZINC, special high grade ($ per tonne) [illegible]

COPPER, grade A ($ per tonne) [illegible]

LME AM Official £/$ rate: 1.5125

LME Closing £/$ rate: 1.5161

HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

LONDON BULLION MARKET (Prices supplied by N M Rothschild) [illegible]

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.) [illegible]

PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

CRUDE OIL IPE ($/barrel) [illegible]

HEATING OIL NYMEX (42,000 US galls; c/US galls) [illegible]

GAS OIL IPE ($/tonne) [illegible]

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) [illegible]

GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne) [illegible]

WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

BARLEY LCE (£ per tonne) [illegible]

SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

POTATOES LCE (£/tonne) [illegible]

FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

COCOA LCE (£/tonne) [illegible]

COCOA CSCE (10 tonnes; $/tonnes) [illegible]

COCOA (ICCO) (SDR's/tonne) [illegible]

COFFEE LCE ($/tonne) [illegible]

COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

COFFEE (ICO) (US cents/pound) [illegible]

WHITE SUGAR LCE ($/tonne) [illegible]

SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

COTTON NYCE (50,000lbs; cents/lbs) [illegible]

ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100) [illegible]

CRB Futures (Base: 1967=100) [illegible]

GSCI Spot (Base: 1970=100) [illegible]

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]

LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

ALUMINIUM (99.7%) LME [illegible]

COPPER (Grade A) LME [illegible]

COFFEE LCE [illegible]

COCOA LCE [illegible]

BRENT CRUDE IPE [illegible]

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel) [illegible]

OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

NATURAL GAS (Pence/therm) [illegible]

OTHER [illegible]

Nuts and Seeds [illegible]

JOTTER PAD

The solution is HP Computer Systems. HEWLETT PACKARD

CROSSWORD

No.9,064 Set by QUARK

ACROSS

1, 4 Well directed snowballs, for example? (6,8)
9 Vermin to beat – with this? (6)
10 Priest if disguised could be seen in WWII (8)
12 Car (not starting) up tree after crash, in a hole (8)
13 Trust's reputation (6)
15 Cross back for an entrance (4)
16 Pass swiftly by post in a race (10)
19 Unimportant extra person to earn a ton? (10)
20 Important performer is in the largest arena (4)
23 In winter month woman showing devotion (6)
25 Dean and Father involved with RI producing unseen waves (8)
27 Perfect: applied to pitch, temperature etc (8)
28 The sailor to be idle although shining brightly (6)
29 Sweets lacking introduction for ease of hearing (8)
30 Acting technique in a way (6)

DOWN

1 Judy's flowers? (7)
2 Undergoing repairs under attack? (2,3,4)
3 Demands and obtains at precise second (6)
5 One million religious Bantu warriors (4)
6 One in dire straits? He'll make cynical observations (8)
7 Landowner in smokeless fuel air debate (5)
8 Court surrounded by peers represented a menacing image (7)
11 Kind of points for old producer of snaps (7)
14 Transported then by a village in the bible (7)
17 The consequences following the US study of numbers etc (9)
18 Shark swirled round the north (8)
19 Piece statement of time together for legal authorisation (7)
21 Possibly here add ginger (7)
22 Singer in the inner ring (6)
24 One who recommends disregarding advert for helmet piece (5)
26 The large amount of money coming up is to cease (4)

Solution 9,063

BOWTIE CHAPLAIN / RUNCORN LITHIUM / AWAY PAINTBRUSH / LATELY USELESS / ANISEED STUPOR / LOOSECOVER TRIM / TENSION MOUNTIE / HARDNESS CARROT

INTERNATIONAL CAPITAL MARKETS

Treasuries remain flat ahead of auction

By Lisa Bransten in New York and Samer Iskandar in London

US Treasury prices were mostly flat in early trading yesterday as optimism about demand at the afternoon auction of 10-year notes and unsurprising comments on the economy from the Federal Reserve combined to ease some of the market's bearish tone.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was up $\frac{1}{32}$ at $86\frac{11}{32}$ to yield 7.071 per cent, while at the short end, the two-year note was $\frac{1}{32}$ lower at $99\frac{23}{32}$, yielding 6.181 per cent.

After initially slumping to a year-low of $106\frac{5}{16}$, the June Treasury bond future recovered its footing and was ¼ stronger at $107\frac{1}{16}$.

The Beige Book, a summary of the economy prepared by the Fed in advance of Open Market Committee meetings, was seen as encouraging to investors worried about inflationary pressures because it noted that prices remained relatively stable despite some tightness in the labour market and rises in commodity prices.

"There was some concern that the Beige Book would be more aggressive," said Mr Richard Gilhooly, an international bond strategist at Paribas Capital Markets in New York.

Mr Gilhooly said there was *also some talk among Wall* Street dealers that the 10-year note had sunk so low it was becoming an attractive investment, and that had inspired *some hopes for decent demand* at the Treasury department's sale of $14bn in 10-year notes. The notes were expected to be awarded at an average yield of about 6.91 per cent.

■ UK gilts ended a quiet session higher. Liffe's June long gilt future settled at 105¼, up $\frac{11}{32}$, and rose to 105⅝ in after-hours trading. In the cash market, the 7¼ per cent gilt due 2006 closed at $95\frac{3}{32}$, up $\frac{11}{32}$.

Mr Stuart Thomson, chief international economist at Nikko in London, expects little rise in the level of activity in the near future. However, market participants are likely to focus on the housing and consumer sectors in the coming months.

Although these segments have started to show "some *elements of strength*", Mr Thomson believes there is room for a cut in the base rate sometime in the third quarter.

He also expects gilts to "marginally outperform" other markets, with 10-year yield spreads tightening to 160 basis points over bunds and 125 basis points over US Treasuries in the next three months. These spreads stood at 179 and 131 basis points respectively yesterday.

■ German bunds regained their footing after several days of uncertain trading. Liffe's June bund future settled at 96.03, up 0.30. The new 10-year benchmark, the 6¼ per cent bund due April 2006, closed at 98.11, up 0.21.

Economists at ABN Amro Bank believe the "German business cycle is still very gloomy", with weak employment growth.

■ *Spanish bonds had a mixed* session and closed lower when the D-Mark rose against other currencies.

The German currency's strength was due to comments by Mr Hans-Juergen Koebnik, a member of the Bundesbank council, who expressed doubts over the likelihood of European monetary union being achieved within the Maastricht timetable. The June 10-year bono future closed at 97.96, down 0.21.

However, analysts at Bear Stearns believe the market will soon resume its rally. The recent flattening of the yield curve, they said, was due to disappointment at the central bank's decision to cut the repo rate by only ¼ point to 7½ per cent, while the market expected *a ½ percentage point cut.* But they expect a further ½ point cut after the release of consumer price data for April, which they believe will show a *fall from the 3.4 per cent rate* of growth in March.

■ Italian bonds closed barely changed, having fluctuated in a narrow range throughout the day. Liffe's June BTP future settled at 113.81, unchanged. The 10-year yield spread over bunds tightened by 1 basis point to 333.

Warm welcome for issue from Vodafone

By Conner Middelmann

An inaugural £250m five-year bond issue for Vodafone, a UK mobile communications group, received a warm welcome in the sterling market yesterday.

INTERNATIONAL BONDS

While some felt that the pricing – at a spread of 42 basis points over gilts – was tight, most dealers said it was fair.

"We've been looking for five-year corporate bonds in sterling for quite some time, and this one has a lot going for it: a great household name and a nice bit of spread," said one trader. He found "puzzling" the lack of pre-marketing. "When you have a new borrower with fresh ratings, people need some time to form a view," he said. The bonds were rated A+ by Standard & Poor's and A2 by Moody's.

Lead manager UBS reported good sales to UK institutions and Pep-funds, adding that the spread remained stable at 42 basis points over gilts.

The sterling sector also saw a £125m three-year offering for GECC, priced at 7 basis points over gilts and aimed at Swiss retail investors, whose interest in sterling bonds has picked up recently, said bookrunner SBC Warburg.

In dollars, Bayerische Vereinsbank issued $500m of five-year bonds at a spread of 22 basis points over Treasuries. While some dealers felt the pricing was tight given the quality of the name – Bayerische Vereinsbank was recently downgraded by Moody's from triple-A to Aa1 – a syndicate official at Paribas, joint leads with J. P. Morgan, said the issue had seen good sales across Europe.

Empresa Publica, a Portuguese state-owned company, raised Esc20bn through an offering of six-year floating-rate notes, *writes Antonia Sharpe.*

The credit-enhanced notes are fungible with an offer last December, making it the largest financing for a Portuguese company.

Bankers Trust, which arranged the offerings with Banco Efisa, widened the appeal of the escudo bonds by providing asset swaps for investors who did not want to be exposed to the currency risk.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bayerische Vereinsbank	500	6.875	99.745R	May 2001	0.25R	+22(6¼%-01)	JP Morgan/Paribas Cap Mkts
Federal Home Loan Mtg Corp(a)	500	6.80‡	100.00R	May 1999	0.15R	+39(W1 3yr)	Goldman Sachs International
Banque Internationale à Lux	100	4.875	99.018R	Jun 1997	0.10R	+12(T-bill)	NatWest Capital Markets
Sumitok International(b)◆	68.75	2.50	100.00	May 1999	2.25	-	Sumitomo Finance Intl
Satori Electric Co(c)◆	60	3.00	100.00	May 2000	2.25	-	Daiwa Europe
YEN							
Nippon Steel Corp(d)✦	20bn	2.50	100.20	May 2000	0.20	-	Norinchukin International
STERLING							
Vodafone Group(s)	250	7.875	98.311R	Nov 2001	0.30R	+42(7%-01)	UBS
Compagnie Bancaire‡	150	(e,s)	99.80R	Mar 2001	0.175R	-	HSBC Markets
GECC(s)	125	7.375	99.82R	Dec 1999	0.1875R	+7(9%-99)	SBC Warburg
ITALIAN LIRE							
World Bank(f)	250bn	zero	40.65	Jun 2006	1.00	-	Citibank/Credito Italiano
ESCUDOS							
Polo Securities(g)‡	20bn	(g1)	100.00	Jun 2002	0.275	-	Banco Efisa/Bankers Trust
NEW ZEALAND DOLLARS							
World Bank	100	8.75	101.13	Jun 1999	1.50	-	CBA

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ✦Unlisted. ◆With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from 14/5/97 at par. b) Denominations: $10,000 +2 wrts to Sumitomo Special Metals Co. Final terms fixed today. c) Fixing: 13/5/96. d) Short 1st & 2nd coupons. e) 3-mth Libor +6¼bp. f) L500bn launched 5/3/96 was increased to 1,750bn. Callable on 19/6/01 at 63.0176%. g) Fungible with Es20bn. Amortises 50% on 11/12/01. g1) 6-mth Lisbor +12½bp. s) Short 1st coupon.

France ready to refinance part of social security debt

By Samer Iskandar in London and David Owen in Paris

France's innovative refinancing of a large part of social security debt *is about to get* under way in earnest.

This week should see the issuance by a specially-created institution – the Caisse *d'Amortissement de la Dette* Sociale (Cades) – of the first tranche of the FFr140bn refinancing, in a move that will be watched with keen interest by European capital markets.

It is not clear in what form the first tranche will come. However, the refinancing will eventually have recourse to all available sources of finance, including bank loans, French domestic commercial paper, international financing via issues of euro and/or US commercial paper, and domestic and eurobond issues.

Cades is having to operate under the tightest of timetables: the new instruments must be issued before June 28, when a bridging loan granted by a French government financial institution has to be repaid.

The creation of Cades is in accordance with a blueprint for welfare reform set out in November by Mr Alain Juppé, prime minister. He outlined a series of spending cuts and tax increases aimed at wiping out accumulated deficits of FFr250bn. He said the government wanted to clarify the situation "once and for all".

The motivation behind the "spin-off", according to one of the senior bankers consulted by the Treasury, was to "make the French feel more responsible about their social welfare system". By creating the Cades, and the new "social debt reimbursement" (RDS) tax that finances it, the government "can now say to the citizens: this is how much it costs, so this how much you will be paying for it", he said.

Cades, which was legally defined *and established* on January 24, is charged first with extinguishing France's cumulative social security deficit for the years 1994 to 1996. This is valued at the fixed amount of FFr120bn for 1994 and 1995; the provisional 1996 deficit has been put at FFr17bn. The amortisation period is 13 years and one month, ending on January 31 2009.

The body will also reimburse in annual instalments of FFr12.5bn the French state's assumption of FFr110bn in liabilities arising from earlier financial deficits of the social security system. These deficits will continue to be managed by the state.

Finally, Cades will this year make a one-off payment of FFr3bn to one of France's national health insurance funds.

In what amounts to a bold experiment with the concept of tax hypothecation, the body's funding will come essentially from a new 0.5 per cent levy on the personal incomes of all but the poorest French citizens – the RDS contributions.

This is expected to raise FFr21.5bn in 1996 and FFr25.5bn *in 1997, when it is* extended to life-assurance contracts and income from several types of savings plans. A second, more modest, source of income is also available to Cades in the form of revenues from sales of property belonging to the French welfare system.

According to Standard & Poor's, the debt rating agency which has given Cades' debt its highest credit ratings – triple-A for long-term debt and A1+ *for short-dated financing* – this level of income should "under presently foreseeable circumstances, allow Cades a comfortable margin for its debt service requirements, even if France's economic activity turns out weaker during the amortisation period than originally assumed". However, S&P said a "prolonged recession could seriously affect the performance of Cades".

French official projections show that even if nominal GDP declined by 7 per cent annually over the 13-year refinancing period, Cades' resources would still cover its "obligations vis-à-vis the market".

The structure of Cades's liabilities will provide an additional cushion for investors in securities issued by the body. This is because the annual payment to the state is subordinated to debt servicing payments. In other words, the state will only start receiving its annual dues after the claims of all other lenders to Cades have been fully satisfied.

From an investor's point of view, this is equivalent to endowing Cades with reserves – almost a "guarantee fund" bankers said – from which up to FFr12.5bn can be taken every year to fill any gap between RDS revenues and amounts owed to Cades' creditors.

The legislation provides an additional safety net in the very unlikely – event of Cades being unable to fulfil its obliga*tions, by stipulating that the* government would then have to "submit to parliament the necessary measures to ensure the payment of principal and interest at the *set dates*".

In addition to Standard & Poor's, both Moody's, the other large US rating agency, and IBCA, *the European agency, have given Cades their highest* grades, confirming the financial solidity of the structure chosen.

What remains uncertain is how the government will finance any additional deficits. It now appears increasingly likely that this year's deficit will be more than FFr17bn – the level at which the Cades contribution is capped.

If there is an extra shortfall, it will have to be financed by other means.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.3060	−0.540	9.03	8.79	8.85
Austria		6.125	02/06	97.3600	+0.200	6.49	6.37	6.48
Belgium		7.000	05/06	101.8200	−0.130	6.74	6.63	6.77
Canada *		8.750	12/05	105.1200	−0.170	7.97	7.79	7.54
Denmark		8.000	03/06	103.6500	−0.160	7.46	7.28	7.49
France	BTAN	5.750	03/01	0.0000	−	0.00	5.49	5.74
	OAT	7.250	04/06	0.0000	−	0.00	6.40	6.59
Germany Bund		6.250	04/06	98.1100	+0.210	6.51	6.37	6.39
Ireland		8.000	08/06	101.9000	+0.550	7.71	7.52	8.02
Italy		9.500	02/06	99.1100	+0.080	9.64†	9.62	10.56
Japan	No 140	6.600	06/01	118.4870	+0.200	2.61	2.51	1.85
	No 182	3.000	09/05	97.0930	−0.030	3.41	3.39	3.19
Netherlands		6.000	01/06	96.9600	+0.260	6.42	6.31	6.43
Portugal		11.875	02/05	115.0500	−0.360	9.12	8.90	8.40
Spain		8.800	04/06	96.9600	−0.160	9.26	9.14	9.63
Sweden		6.000	02/05	84.2140	−0.210	8.54	8.21	8.44
UK Gilts		8.000	12/00	101−27	+7/32	7.51	7.36	7.49
		7.500	12/06	95−09	+15/32	8.17	8.03	8.13
		9.000	10/08	105−19	+17/32	8.27	8.14	8.25
US Treasury *		5.625	02/06	91−07	−1/32	6.87	6.68	6.25
		6.000	02/26	86−21	+1/32	7.08	6.89	6.59
ECU (French Govt)		7.500	04/05	0.0000	−	0.00	6.79	7.09

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.20
Prime rate	8¼	Two month	-	Three year	6.40
Broker loan rate	7	Three month	5.14	Five year	6.61
Fed.funds	$5\frac{5}{16}$	Six month	5.36	10-year	6.85
Fed.funds at intervention	-	One year	5.69	30-year	7.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 (May 7)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.90	122.70	-	122.98	122.64	15,655	156,246
Sep	121.40	121.22	-	121.48	121.20	1,015	11,539
Dec	120.22	120.00	-	120.26	120.20	1,142	6,183

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (May 7)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
120	-	-	-	0.06	0.46	0.84
121	1.65	-	-	0.14	0.79	1.20
122	1.06	0.55	1.01	0.33	1.30	1.60
123	0.44	0.25	0.60	0.72	2.01	-
124	0.13	-	0.38	1.41	-	-

Est. vol. total, Calls 18,740 Puts 19,166 . Previous day's open int., Calls 137,827 Puts 178,528.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.73	96.03	+0.30	96.15	95.65	141815	175903
Sep	94.83	95.10	+0.31	95.19	94.83	1250	10682

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9600	0.43	0.32	0.62	0.86	0.40	1.22	1.42	1.55
9650	0.21	0.19	0.36	0.61	0.68	1.59	1.76	1.91
9700	0.08	0.11	0.24	0.36	1.05	2.01	2.14	2.26

Est. vol. total, Calls 6686 Puts 11605. Previous day's open int., Calls 233947 Puts 184714

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.75	113.81	+0	114.28	113.60	40943	61779
Sep	113.18	113.19	+0	113.50	113.11	149	1391

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11350	0.93	1.90	0.62	2.21
11400	0.66	1.65	0.85	2.46
11450	0.45	1.44	1.14	2.75

Est. vol. total, Calls 4209 Puts 8740. Previous day's open int., Calls 76086 Puts 69846

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.12	97.98	−0.23	98.47	97.80	74,636	51,458
Sep	97.18	97.43	−0.35	97.33	97.18	45	35

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-19	105-04	+0-17	105-12	104-19	37168	119623
Sep	103-26	104-01	+0-17	104-00	103-24	279	675

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
105	0-46	0-43	1-03	1-15	0-35	1-41	2-01	2-13
106	0-20	0-24	0-45	0-55	1-12	2-22	2-43	2-53
107	0-08	0-12	0-29	0-37	1-62	3-10	3-27	3-35

Est. vol. total, Calls 1302 Puts 2455. Previous day's open int., Calls 44418 Puts 39765

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000 (May 7)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.76	90.56	-	90.78	90.64	601	6,155

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107−00	107−06	+0−08	107−06	106−18	223,012	375,256
Sep	105−11	105−19	+0−07	105−19	105−02	6,853	32,765
Dec	105−22	106−00	+0−05	106−00	105−16	1,210	6,855

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	117.77			117.84	117.74	1695	0
Sep	116.61			116.86	116.59	391	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed May 8	Day's change %	Tues May 7	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	121.55	+0.10	121.44	2.58	3.06
2 5-15 years (19)	144.69	+0.36	144.18	2.98	3.36
3 Over 15 years (6)	158.71	+0.53	157.88	3.58	3.48
4 Irredeemables (6)	181.11	+0.17	180.81	4.95	1.47
5 All stocks (57)	140.51	+0.29	140.10	2.95	3.29

	Low coupon yield May 8	May 7	Yr. ago	Medium coupon yield May 8	May 7	Yr. ago	High coupon yield May 8	May 7	Yr. ago
5 yrs	7.62	7.65	8.00	7.65	7.69	8.04	7.76	7.81	8.19
15 yrs	8.35	8.40	8.10	8.38	8.42	8.17	8.48	8.50	8.39
20 yrs	8.42	8.47	8.10	8.41	8.47	8.17	8.50	8.54	8.34
Irred.†	8.49	8.51	8.16						

Index-linked	May 8	Day's change %	May 7	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	195.89	+0.05	195.62	0.29	4.43
7 Over 5 years (11)	185.75	+0.15	185.48	1.42	1.33
8 All stocks (12)	185.84	+0.14	185.58	1.39	1.40

	Inflation 5% May 8	May 7	Yr. ago	Inflation 10% May 8	May 7	Yr. ago
Up to 5 yrs	2.86	2.67	3.13	1.30	1.31	1.70
Over 5 yrs	3.79	3.80	3.58	3.59	3.60	3.40

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 8	May 7	May 3	May 2	May 1	Yr ago	High*	Low*
Govt. Secs. (UK)	91.85	91.59	91.57	92.05	92.47	93.18	96.34	91.59
Fixed Interest	111.50	111.48	111.48	112.63	112.72	111.14	115.23	110.74

GILT EDGED ACTIVITY INDICES

	May 7	May 3	May 2	May 1	Apr 30
Gilt Edged bargains	93.9	100.6	94.6	87.8	98.2
5-day average	95.0	92.3	91.7	96.6	100.9

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Exch 13¼pc 1996‡‡		13.23	6.02	100$\frac{5}{32}$	—	105⅛	100⅛
[illegible]							

Treas 8½pc 2005‡‡ 8.31 8.13 102⅜ … [illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅞	96⅛	−⅛	7.27
ABN Amro Bank 7¼ 05	1000	98¼	98	−⅛	7.38
African Dev Bk 7¾ 23	500	93¼	94¼	−⅛	7.94
Alberta Province 7¾ 98	1000	102¼	102½	−⅛	5.69
Asian Dev Bank 6¼ 05	750	93⅝	93⅞	−⅛	7.32
[illegible]					
Sweden 8 97	2500	105⅞	106		3.85
United Kingdom 7¼ 97	5500	104⅞	104⅞	+⅛	3.84
Volkswagen Intl Fin 7 03	1000	102⅛	102⅜	+⅛	6.61
World Bank 0 15	2000	29¾	30		6.36
World Bank 5⅞ 03	3000	98½	98⅞		6.12
[illegible]					
Abbey Natl Treasury 8 03 £	1000	98⅛	98¼	+⅛	8.38
Alliance Leics 11¾ 97 £	100	104½	104⅞		6.58
British Land 8⅞ 23 £	150	88	88⅞	+1	10.44
Denmark 6¼ 98 £	800	98¼	98⅞		7.09
EIB 8 03 £	1000	98½	98⅞	+⅛	8.16
[illegible]					

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هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Rand falls on signs of government split

By Graham Bowley

The South African rand came under renewed pressure on the foreign exchanges yesterday amid fresh concerns about the shape of the ruling coalition government.

It suffered a sharp decline amid large falls in government bond and equity prices after Mr F W De Klerk, deputy president, raised the prospect of the white-led National Party quitting the two-year old Government of National Unity. The former president said the post-apartheid constitution, which was officially adopted yesterday, was flawed.

Elsewhere, the D-Mark's recent revival continued as it gained at the expense of the dollar and most European currencies after comments by a Bundesbank official appeared to support a stronger German currency.

The dollar's sharp fall against the D-Mark came amid further weakness in the US equity market and nervousness in the US bond market ahead of a large auction of bonds.

The Bulgarian lev continued its recent sharp decline, falling to an all-time low against the dollar.

The pound displayed some independent strength, rallying against the D-Mark and the dollar despite the D-Mark's gains against other European currencies.

The dollar held firm against the yen despite its losses against the D-Mark. It closed in London at Y105.23.

Against the D-Mark, it finished at DM1.5183 from DM1.5238.

Sterling finished against the D-Mark at DM2.3019 from DM2.299. Against the dollar, it closed at $1.5162 from $1.5113 at the previous close.

■ The view that the D-Mark may now be set for a rebound following stronger than expected German economic data in recent weeks gained ground yesterday, helped by comments by Mr Hans Jurgen Kobnick, a Bundesbank council member.

Mr Kobnick said that interest rate cuts in other European countries would probably prevent their currencies from strengthening against the D-Mark.

He also threw some cold water on speculation of lower German interest rates when he said he saw no room for further change in official interest rates, and no economic benefit in a lower repo rate.

The D-Mark made particularly strong gains against European high-yielding currencies.

Mr Lawrence Hatheway, currency analyst at UBS in London, said: "Many of the high-yielders were ripe for a correction but there is also the beginning of a shift in sentiment in favour of the D-Mark following more upbeat economic data."

He said an environment of rising interest rates, particularly in the US, was not conducive to flows into relatively high-yielding countries.

■ Analysts said the Bulgarian lev's decline – from around Lv79 against at the beginning of last month to around Lv120 – has been due to growing worries about the country's troubled banking system.

Mr Andrew Kenningham, analyst at Merrill Lynch in London, said the country's relatively low annual inflation rate of around 33 per cent did justify the recent collapse in the currency.

He said: "There has been a flight out of the currency and out of the banking system as the country faces large debt payments."

He said there was the possibilty that the country, which has undergone a Brady-style debt restructuring, could become first country to default on its Brady bond payments, which could further hasten the currency's decline.

■ Yesterday's UK monetary meeting between the chancellor and the governor of the Bank of England ended without comment, with analysts expecting no change in interest rates to follow the meeting.

Mr Tony Norfield, currency analyst at ABN Amro in London, said the strong link between sterling and the dollar had been broken in recent sessions in sterling's favour.

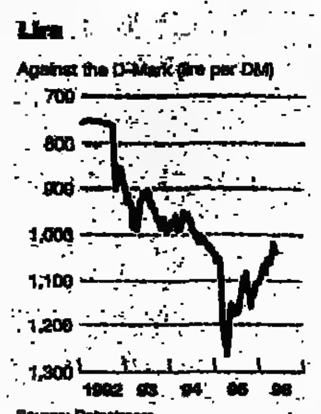
He said the pound had remained strong despite the dollar's decline against the D-Mark.

He said: "It is an indication of a reassessment of sterling's strength, supported by buying of UK assets by US investors and by less concern about the political risk."

Attention in the UK today will be on industrial production data for March which are expected to show further weakness.

Lira

Against the D-Mark (lire per DM)



Source: Datastream

■ Pound in New York

May 8	Latest	Prev. close
£ spot	1.5175	1.5120
1 mth	1.5167	1.5112
3 mth	1.5154	1.5100
1 yr	1.5125	1.5084

■ OTHER CURRENCIES

May 8	£	$
Czech Rp	41.8380 - 41.8645	27.5860 - 27.6060
Hungary	223.277 - 223.582	147.200 - 147.280
Iran	4548.50 - 4547.40	3000.00 - 3000.00
Kuwait	0.4544 - 0.4554	0.2998 - 0.3003
Poland	4.0154 - 4.0202	2.6480 - 2.6510
Russia	7395.58 - 7447.02	4874.00 - 4877.00
U.A.E.	5.5665 - 5.5700	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

May 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1981	+0.0183	860 - 041	16.2386	16.1748	16.1849	2.5	16.0899	2.6	-	-	106.0
Belgium	(BFr)	47.3343	+0.0608	930 - 755	47.5200	47.2490	47.2293	2.7	47.0193	2.7	46.9993	2.8	106.9
Denmark	(DKr)	8.8854	+0.0148	811 - 897	8.9051	8.8738	8.87	2.1	8.8372	2.2	8.6939	2.2	107.8
Finland	(FM)	7.2056	-0.0478	982 - 129	7.2770	7.1770	7.2012	0.7	7.1931	0.7	-	-	82.1
France	(FFr)	7.7915	+0.0169	889 - 941	7.8071	7.7839	7.7774	2.2	7.7495	2.2	7.6168	2.2	109.5

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	[illegible]	-0.0222	705 - 852	10.7490	10.6740	10.6629	2.2	10.6209	2.3	10.4374	2.3	104.8
Belgium	(BFr)	31.2300	-0.06	000 - 400	31.4080	31.1990	31.185	2.1	31.05	2.2	30.51	2.3	106.5
Denmark	(DKr)	5.8605	-0.009	500 - 650	5.8931	5.8559	5.853	1.5	5.836	1.7	5.767	1.8	107.0
Finland	(FM)	[illegible]	-0.0489	[illegible]	4.8218	4.7407	[illegible]	1.8	4.7341	1.8	4.6388	1.3	80.5
France	(FFr)	5.1390	-0.0053	385 - 395	5.1665	5.1332	5.1321	1.6	5.1178	1.7	5.05	1.7	106.9

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

D-MARK FUTURES (IMM) DM 125,000 per DM

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

US TREASURY BILL FUTURES (IMM) $1m per 100%

EUROMARK OPTIONS (LIFFE) DM1m points of 100%

EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

BASE LENDING RATES

WORLD INTEREST RATES

MONEY RATES

$ LIBOR FT London Interbank Fixing

EURO CURRENCY INTEREST RATES

THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.78	95.76	-0.01	95.79	95.76	776	9914
Sep	95.81	95.78	+0	95.81	95.77	274	4798
Dec	95.64	95.62	+0.02	95.64	95.61	217	3428
Mar	95.37	95.36	+0.03	95.37	95.35	118	2177

* LIFFE futures also traded on APT

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CORRECTION NOTICE

NOTICE OF PARTIAL REDEMPTION
To the Holders of

BANCO CENTRAL DE COSTA RICA
Series A Interest Claims Bonds
and
Series B Interest Claims Bonds
each dated May 21, 1990
(collectively, the "Interest Claims Bonds")

NOTICE IS HEREBY GIVEN to the holders of Interest Claims Bonds, pursuant to the provisions of the respective Fiscal Agency Agreements dated as of May 1, 1990 among Banco Central de Costa Rica, the Republic of Costa Rica as Guarantor, and BankAmerica National Trust Company (formerly BankAmerica Trust Company of New York) as Fiscal Agent, that the following described Principal Coupon on each Interest Claims Bond will be redeemed on May 21, 1996 at the principal amount thereof with the proceeds of the Value Recovery Payments required to be made by Banco Central de Costa Rica pursuant to Section 3(f) of each Interest Claims Bond.

Principal Coupons to be Redeemed
February 21, 2004
November 21, 2003

Payment of the principal amount of each Principal Coupon due upon redemption shall be made on or after such redemption date upon the presentation and surrender of the Interest Claims Bonds, together with all Principal Coupons called for redemption and together with all Interest Coupons coming due and payable on or after November 21, 2003, at any of the following locations:

First Trust of California
Corporate Trust Operations
701 South Western Avenue
Glendale, California 91201
or
First Trust of New York
100 Wall Street, 20th Floor
New York, New York 10005
or
Union Bank of Switzerland
100 Liverpool Street
London EC2M 2RH England
or
Banque Internationale a Luxembourg S.A.
69 route d'Esch
L-2953, Luxembourg

Notice is further given that interest shall cease to accrue on that portion of the principal amount of the Interest Claims Bonds evidenced by the aforesaid Principal Coupons being redeemed from and after May 21, 1996 which is a scheduled payment date for the Interest Claims Bonds.

FIRST TRUST OF NEW YORK
as Successor Fiscal Agent

Dated: April 29, 1996

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	495	–3	586	476½	5,134	6.0	17.9
Bulmer (HP)	[illegible]	609	+1	625	419	321.6	2.5	18.1
Burn St Dist	[illegible]	117xd	–1	148	101	68.4	5.3	25.3
Glenmorangie A	[illegible]	693	–	660	600	88.7	2.2	17.8
Grand Met	[illegible]	428½	+½	467	374	8,943	4.4	18.4
Guinness	[illegible]	479xd	+7	536	435	9,225	3.9	15.6
Highland	[illegible]	377xd	–	405	315	494.2	2.7	17.3
Kirin Y	[illegible]	893½	+14	879½	621	8,773	0.8	31.7
Macallan-Glen	[illegible]	168xd	–	217	150	168.4	1.1	34.7
For MacDonald Martin see Glenmorangie								
Matthew Clark	[illegible]	774	–1	777	580	663.4	3.6	–
Merrydown	[illegible]	123	–	149	88	13.4	2.0	–
Seagram $		£21⅞	+⅛	£25¼	£17⅝	6,947	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf	[illegible]	50½	–	50½	50½	6.31	19.8	–
Cater Allen	[illegible]	413	–4	525	413	136.6	9.1	6.8
Close Bros	[illegible]	379	+1	392	261½	462.8	3.0	16.8
Gerrard & Nat	[illegible]	384	–	472	384	182.7	7.1	12.7
Hambros	[illegible]	239	–2	252	180	420.0	3.9	–
7½pc Cv Pf		111½	–½	117	94½	149.6	8.4	–
King & Shaxson	[illegible]	163	–	168	100	43.0	6.9	12.7
Leopold J	[illegible]	490	–	493	353	28.9	5.2	15.5
Rea Brothers	[illegible]	68xd	–	67	44	28.0	2.2	27.5
Schroders	[illegible]	1255	+2	1478	1055	1,995	1.8	17.5
N/V	[illegible]	1025	+2	1180	880	451.0	2.0	14.3
Singer & Fried	[illegible]	113xd	–	116	90	223.2	4.4	9.4
8½pc Cv Ln 09/14		£139¾	+1¼	£137	[illegible]	41.9	6.2	–

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LONDON SHARE SERVICE

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LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

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MEDIA

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

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PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Infotel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculation are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

Commercial Union Captives Ins Mngt

Consulta (Channel Islands) Limited

Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Morgan Stanley Sicav

Albany International Assurance Ltd - Contd.

Allied Dunbar International Assce Ltd

Professional Investment Consultants

Royal Life International

CA Securities Investment

CS Asset Management

CDC International

Global Asset Management - Contd.

The MC Oasis Fund LP

Regent Kingpin Capital Management Ltd

Credit Commercial de France

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

World Trust Fund

Worldwide Limited

NAV Mar 31	$79.43	—	—

Xiphias International Investment Fd Ltd

Xiphias Global Growth	$9.91	—	—
[illegible]	Ecu11.4427	—	—

Zanett Lombardier Ltd

NAV Apr 1	$179.41	—	—

Zulauf Investment Management AG

Zulauf Europe Ltd NAV May 3	DM104.024	—	—

Zweig-DiMenna International Limited

NAV Apr 30	$14877	—	—

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(¥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
G - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
ø - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
GG - Guernsey gross.
Φ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON STOCK EXCHANGE

MARKET REPORT

UK equities burdened by Wall Street gloom

By Steve Thompson,
UK Stock Market Editor

A sparkling performance by the food retailing giants and the usual daily sprinkling of bid stories helped to cushion London's equity market from another potentially severe drubbing yesterday.

Nevertheless, a big fall in shares on Wall Street at the outset of trading, amid fears of a substantial correction, saw London give substantial ground towards the close to *register its fifth straight decline.*

The FT-SE 100 index retreated a further 15.7 points to 3,707.3, extending its decline over the past three trading sessions to 110.6 points, or just short of 3 per cent.

Second-line stocks were equally hard hit, with the FT-SE Mid 250 index sliding 21.1 to 4,504.4, its sixth decline over the past seven trading days, during which the index has given up 64.2, or 1.4 per cent.

Dealers said London's *fall* was almost entirely down to Wall Street's recent bout of weakness, which in turn was attributed to a number of influential broking houses reducing their recommended exposures to equities.

Three of the leading Wall Street houses, Merrill Lynch, Smith Barney and Morgan Stanley, have adopted much more cautious stances on US markets this week.

Dealers in addition pointed out that London had also been helped by a strong showing by gilt-edged stocks, which were commonly up around a half-point in the wake of the regular monthly meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England. Traders said that only a handful of super-optimists had expected a cut in UK rates.

Senior traders said London would struggle to resist the downward pull from Wall Street. "There is talk of the Dow Jones Industrial Average falling back to 5,200 in the short term as stories of a US interest rate rise circulate," said one. He added that the Footsie would take a look at 3,650 in the short term if Wall Street continued to lose ground.

Another said there were signs that the big hedge funds were pulling out of US stocks and shifting cash into Treasury bonds, which moved higher yesterday, and into various overseas markets.

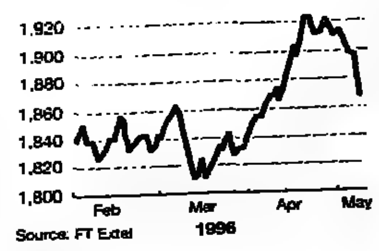
Turnover yesterday reached an unspectacular 734.3m shares, with non-FT-SE 100 stocks accounting for more than 60 per cent of that figure. The total was lifted, marketmakers said, by a couple of trading programmes executed in midsession.

Customer, or retail, business on Tuesday was valued at £1.9bn, surprisingly high for the first day following a bank holiday.

J. Sainsbury took pole position in the Footsie rankings, with the shares climbing rapidly after pleasing news of the progressive dividend policy and the decision to ask shareholders to approve a potential buyback of 10 per cent of the shares. The good news permeated the rest of the food retailing arena.

Takeover stories continued to circulate, with Pearson rising strongly and Cable and Wireless putting in a late spurt, amid hints that Li Ka Shing's Hutchison Whampoa group may be preparing a megabid for the UK telecoms group. C&W's merger discussions with BT ran into the sand last week.

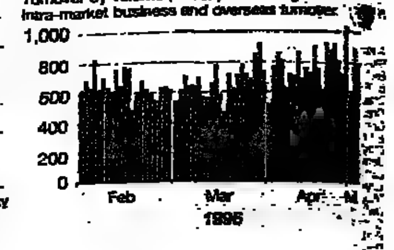
FT-SE-A All-Share index



Source: FT Extel 1996

Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3707.3	-15.7
FT-SE Mid 250	4504.4	-21.1
FT-SE-A 350	1883.8	-8.2
FT-SE-A All-Share	1870.23	-7.68
FT-SE-A All-Share yield	3.78	3.76
FT Ordinary Index	2772.0	-24.4
FT-SE-A Non Fins p/e	17.16	17.22
FT-SE100 Fut Jun	3709.0	-16.0
10 yr Gilt yield	8.24	8.24
Long gilt/equity yld ratio:	2.25	2.27

Best performing sectors

1. Retailers, Food ... +2.0
2. Health Care ... +1.4
3. Alcoholic Beverages ... +0.5
4. Property ... +0.1
5. Bank, Merchant ... +0.0

Worst performing sectors

1. Electricity ... -1.0
2. Water ... -1.0
3. Engineering, Vehicles ... -0.9
4. Banks, Retail ... -0.8
5. Life Assurance ... -0.8

Food retailers celebrate

Relief that food retailer J. Sainsbury had not issued another profits warning as it published lower full-year figures sparked a wave of buying in the company's shares and *the sector as a whole.*

As the session drew to a close, the group's shares were up 15 at 372p, having touched 377½p in fevered buying in the morning. Turnover was 12m.

One analyst, emerging from *a meeting with the company,* said of the share price performance: "Everyone is just relieved we did not get another profits warning from Sainsbury, and I think that is what the share price is saying."

Sentiment in the stock was initially enhanced by reiteration of a progressive dividend policy and an announcement that Sainsbury is to seek powers for a share buyback. However, one market specialist said: "The company has indicated it has no plans to use its buyback powers."

Several brokers downgraded current year profits expectations in the wake of the figures. The list of those reducing expectations included SBC Warburg, the group's broker, which lowered its forecast by £29m to £796m. UBS downgraded its estimate by £25m to £785m, although it has upgraded its recommendation from "sell" to "hold".

Indications from Sainsbury that, in spite of plans to launch a nationwide loyalty card, it is unlikely to make moves that will seriously deepen the price war with its competitors triggered solid buying among leading stocks in the sector.

Argyll Group climbed 8½ to 336½p, while Tesco, also in demand, gained 5 at 272p in heavy trading that brought volume of 12m.

Sainsbury's plans for its DIY operations cast a cloud over several other home improvement retailers. **W.H. Smith,** *joint owner of Do It All with* **Boots**, dropped 8 to 487p and Boots fell 4 to 617p.

Wickes slipped 2 to 127p. **Dixons** receded 10 to 482p on 2m shares traded, with a substantial investor understood to have been selling.

Barclays active

Shares in **Barclays** firmed 2 to 747p as some dealers began to anticipate some jumbo-sized buying at the end of the month.

The bank announced at the end of February that it was prepared to buy back 40m of its own shares at 765p apiece. Many investors will have waited before refilling their portfolios in order to satisfy their auditors over the consequent tax credits. The waiting time has not been fully laid down by the Inland Revenue but three months is customary and practice for some big institutions. That deadline passes at the end of the month.

"It is far better to travel than to arrive," muttered an analyst commenting on **Whitbread**, which fell 8 to 738p after its results, at the top end of expectations but not above them, failed to excite the market.

Analysts, some of whom nevertheless upgraded their forecasts, said there was an element of profit-taking in Whitbread, which is the first of the major brewers to report results. Some marketmakers were said to be running long books and to have cut their position.

Bid rumours concerning **J. Wetherspoon**, the pubs group, which jumped 60 to 955p, were said to be misplaced. Analysts attributed the increase to *activity from US buyers, who* are already substantial investors in the group. US investors were also said to be purchasing **Pizza Express** shares, which added a penny at 350p.

S.G. Warburg reiterated its "add" recommendation for **Grand Metropolitan**, which hardened to 426½p. Guinness rose 7 to 479p. Speculation that the two groups were planning some joint venture for their spirits divisions were dismissed by industry sources, who said that the same old story had circulated six months ago.

Vodafone stayed out of favour, crashing to the bottom of the Footsie rankings as some analysts trimmed profits estimates on the group's latest French deal.

There was said to be disappointment at the "full price" Vodafone is paying to raise its stake in French mobile phones rival SFR to 16.5 per cent. And *a number of brokers tweaked* earnings forecasts lower.

There was also steady selling from the US on the back of a weak morning session for Wall Street. Vodafone ended 8 cheaper at 247p and is now back to the bottom of its recent trading range.

Cable and Wireless hardened 6 to 476p ahead of next week's results from its subsidiary Hong Kong Telecom. There was some speculation that C&W would link in the HKT results with news of the appointment of the new chief executive.

Meanwhile, vague takeover talk rumbled on, with the latest stories focusing on a possible bid move by a Chinese-led consortium.

The market continued to look unenthusiastically at Tuesday's first-quarter figures from British Petroleum.

Despite producing sparkling first-quarter figures, the shares *have languished and yesterday* they fell 6½ to 562½p. Some worries about the oil price have been revived by the resumption of talks about the embargo on Iraqi exports.

Also, some brokers believe the easy money has been made and it is time to switch into **Shell Transport**. Shell eased only 3½ to 851½p.

Motor components engineer **Lucas Industries** retreated 6½ to 227p after another hectic session. The shares surged to an all-time high in heavy volume on Tuesday following news of talks with Varity, of the US. The stock racked a further 9.4m of turnover. Strong interim results drove **Avon Rubber** ahead by 28 to a new peak of 626p.

Royal Bank of Scotland moved forward 5 to 527p after announcing encouraging figures. Analysts are now expected to raise the 1997 consensus forecast by around £40m to £750m.

Healthcare group **Smith & Nephew** gained 6¼ at 201¼p with help from a recommendation issued by ABN Amro Hoare Govett.

Pharmaceuticals group Zeneca added 5 at 1372p after announcing that it had agreed to sell its textile colours business to BASF for up to £138m.

Talk of an engines joint venture between GE and Pratt and Whitney emerged after market hours.

The buzz was that the two US leaders were getting together to defend their market position against **Rolls-Royce**. The latter had earlier closed off 3 at 221p.

La Senza, the up-market lingerie chain making its market debut, demonstrated that it was commercially priced. Having been placed at 150p, it closed at 156p.

Reflective paint group **Reflec** made a strong start on AIM. It closed at 48p, against a flotation price of 40p.

Sweeteners group **Tate & Lyle** *fell sharply as brokers* downgraded profits expectations after it reported interim figures below the market's best estimates. The shares ended the day 14 lower at 462p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	May 8	May 7	May 3	May 2	May 1	Yr ago	*High	*Low
Ordinary Share	2772.0	2796.4	2803.5	2809.7	2831.3	2504.1	2885.2	2696.7
Ord. div. yield	4.02	3.98	3.97	3.95	3.92	4.22	4.06	3.76
P/E ratio net	16.26	16.41	16.47	16.53	16.67	16.62	17.25	15.96
P/E ratio nil	16.03	16.18	16.24	16.31	16.44	16.42	17.03	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96, low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2794.3	2796.7	2797.6	2796.0	2789.6	2790.3	2786.0	2781.3	2776.6	2802.0	2771.9

	May 8	May 7	May 3	May 2	May 1	Yr ago
SEAQ bargains	32,021	33,944	35,237	32,640	31,202	27,636
Equity turnover (£m)†	-	1857.6	2503.8	2439.7	1622.0	1531.4
Equity bargains†	-	38,692	42,213	37,135	35,300	37,969
Shares traded (ml)†	-	818.0	794.4	896.0	805.1	672.7

†Excluding intra-market business and overseas turnover.

	May 8	May 7	May 3	May 2	May 1	Yr ago	*High	*Low
FT-SE AIM	1072.80	1075.00	1067.90	1062.30	1066.00	-	1075.00	955.66

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	421	Total Highs	103	Total contracts	51,358
Total Falls	891	Total Lows	23	Calls	23,819
Same	1,455			Puts	27,537

May 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3729.0	3709.0	-16.0	3737.0	3697.0	12273	58438
Sep	3738.0	3724.0	-16.0	3747.0	3721.0	790	5869
Dec	3775.0	3754.0	-16.0	3775.0	3760.0	53	218

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4525.0	-6.0			0	4141

FT-SE 100 INDEX OPTION (LIFFE) (*3712) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
May	162	2	112	5	65	11½	34	26½	11½	56	2½	101	1	151	1	201
Jun	178½	17½	135½	25½	98	39	68	58½	43	85½	24	116	12½	159	5½	208
Jul	195	30½	158	42	122½	57	92	77	66½	102	45	132½	30	168½	18½	210
Aug	212½	45	174	58½	142	73½	110½	92	85½	117½	61½	145½	44½	180½	29	217
Dec†			244	101			183	139			136½	191			85	253

Calls 9,631 Puts 9,214

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
May	182	1½	133	2½	87	6½	48½	17½	20	39	6½	74½	1	119½	1	169
Jun	199	16½	155½	23½	117½	34	81½	48	52½	68½	32	97½	18	139	10	174
Jul	210½	31	171½	31½	136	45½	104½	63	78	85½	55½	113	36	145	25	185
Sep	245½	50½			175	78½			118½	117½			72	171		
Dec†	297	76½			231	107			178½	147½			128	196½		

Calls 4,842 Puts 12,287 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	16.8	95	94	AIM Distbn	94		b4.5	-	6.0	-
-	F.P.	22.0	135	120	†Active Imaging	120		-	-	-	-
-	F.P.	-	130	125	Biocompatible Unit	130		-	-	-	-
-	F.P	13.2	1050	850	Cairngorm Units	925		-	-	-	-
-	F.P.	0.84	250	25	Cairngorm Wrts	225		-	-	-	-
100	F.P.	9.50	95	95	Capital Co's VCT	95		-	-	-	-
85	F.P.	11.0	98	88	Cardcast	88	-5	W0.8	8.2	0.9	14.8
-	F.P	7.84	39	39	†FNR	39		-	-	-	-
270	F.P.	173.2	340	307	Harvey Nichols	315	+7	b4.2	2.5	1.7	29.9
-	F.P.	52.3	158	155	†La Senza	156		-	-	-	-
-	F.P	[illegible]	250	223	MSB Int'l	240	-4	L4.0	3.0	2.1	19.8
278	F.P.	451.4	332	278	Mill & Copthorne	319		4.7	-	1.8	-
175	F.P.	55.0	184	173	Phytopharm	178		-	-	-	-
-	F.P.	8.86	22	18½	Perp Inc Wrnts	19		-	-	-	-
-	F.P	33.1	48	45	†Reflec	48		-	-	-	-
-	F.P.	3.93	78	63	†Romtec	76		-	-	-	-
-	F.P.	-	98	98	Singer & Fdr AIM	98		-	-	-	-
-	F.P.	-	11	9	Singer & F Wts	11		-	-	-	-
-	F.P.	7.64	4	3½	†Sira Bus Serv	4		-	-	-	-
-	F.P.	0.29	1½	1½	†Sira Bus Svs Wts	1½		-	-	-	-
-	F.P.	5.35	95	75	†Stentor	93		-	-	-	-
-	F.P	1.82	26½	10¼	Templeton C&E	26		-	-	-	-
-	F.P.	39.8	185	180	†Tradepoint Fincl	185		-	-	-	-
45	F.P	13.4	57	52	†Waterfall	52		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	May 7	% chg on day	May 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2282.80	+2.1	2234.62	1942.67	1.39	-	2520.73	1722.83
Regional Indices								
Africa (13)	3110.01	+1.6	3060.30	2703.50	2.31	37.76	3553.86	2272.74
Australasia (6)	2804.84	+1.8	2753.56	2470.65	2.38	29.87	2827.34	2098.51
North America (12)	2119.17	+2.3	2071.20	1647.46	0.86	66.56	2186.30	1488.84

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FT-SE Actuaries Share Indices — The UK Series

	May 8	Day's chge%	May 7	May 3	May 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3707.3	-0.4	3723.0	3751.6	3776.4	3290.1	4.01	2.13	14.61	59.23	1509.44
FT-SE Mid 250	4504.4	-0.5	4525.5	4515.3	4537.7	3588.0	3.32	1.75	21.46	77.48	1603.11
FT-SE Mid 250 ex Inv Trusts	4547.7	-0.4	4567.5	4556.7	4576.8	3592.2	3.42	1.80	20.26	82.46	1623.45
FT-SE-A 350	1883.8	-0.4	1892.0	1902.2	1914.1	1632.6	3.65	2.06	16.75	34.56	1568.21
FT-SE-A 350 Higher Yield	1808.E	-0.6	1819.9	1834.6	1836.7	1649.2	5.13	1.90	12.81	42.83	1258.85
FT-SE-A 350 Lower Yield	1966.3	-0.3	1971.4	1977.3	1998.9	1615.4	2.59	2.34	19.91	26.57	1355.89
FT-SE SmallCap	2221.50	-0.2	2225.05	2224.06	2232.39	1820.96	2.92	1.78	24.11	24.17	1816.75
FT-SE SmallCap ex Inv Trusts	2218.66	-0.1	2220.75	2219.40	2225.79	1798.46	3.08	1.87	21.73	25.34	1825.38
FT-SE-A ALL-SHARE	1870.23	-0.4	1877.91	1887.22	1898.63	1613.43	3.78	2.04	16.20	33.17	1581.09

FT-SE Actuaries All-Share

	May 8	Day's chge%	May 7	May 3	May 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3415.57	-0.6	3437.53	3476.50	3481.79	2894.61	3.82	1.80	18.21	90.55	1468.25
12 Extractive Industries(6)	4758.84	-0.2	4768.29	4717.65	4698.65	3721.01	3.39	2.60	14.73	109.19	1400.38
15 Oil, Integrated(3)	3376.09	-0.8	3403.97	3461.49	3469.51	2907.20	4.09	1.88	16.16	85.59	1485.76
18 Oil Exploration & Prod(15)	2449.57	-0.4	2458.74	2470.02	2482.85	2119.88	2.14	1.59	36.84	32.05	1473.02
20 GEN INDUSTRIALS(275)	2125.79	-0.4	2134.91	2139.60	2153.96	1938.59	3.89	1.69	18.63	33.74	1150.96
21 Building & Construction(34)	1242.05	-0.3	1245.76	1243.01	1251.05	985.48	3.32	1.80	20.95	18.04	1039.46
22 Building Matls & Merchs(29)	1958.33	-0.5	1968.05	1976.09	2003.07	1803.45	3.88	1.71	18.83	36.38	990.53
23 Chemicals(25)	2512.20	-0.5	2525.43	2541.77	2541.17	2333.79	3.94	1.94	16.39	37.65	1187.40
24 Diversified Industrials(19)	1777.20	-0.4	1784.67	1794.45	1800.82	1883.04	5.81	1.65	12.80	44.78	996.39
25 Electronic & Elect Equip(37)	2405.98	-0.1	2408.74	2402.46	2423.22	2026.69	3.05	1.98	24.44	13.04	1241.14
26 Engineering(71)	2450.99	-0.5	2463.08	2479.95	2497.79	1919.98	3.12	2.47	16.24	28.63	1484.69
27 Engineering, Vehicles(13)	3036.34	-0.9	3065.23	2384.54	3023.87	2273.79	3.51	1.02	18.55	48.83	1574.31
28 Paper, Pckg & Printing(28)	2777.84	-0.3	2785.16	2779.75	2792.13	2956.55	3.66	2.03	16.78	41.62	1156.90
29 Textiles & Apparel(19)	1423.12	-0.3	1427.73	1430.38	1444.77	1639.40	4.95	1.53	16.43	28.70	870.11
30 CONSUMER GOODS(90)	3453.53	-0.3	3463.88	3489.01	3539.43	3070.13	4.06	1.65	18.67	71.72	1279.22
32 Alcoholic Beverages(9)	2816.59	+0.5	2803.39	2803.31	2821.12	2793.57	4.41	1.65	17.40	58.02	1017.47
33 Food Producers(23)	2472.05	-0.5	2485.14	2482.42	2499.92	2421.70	4.19	1.62	18.38	55.04	1120.57
34 Household Goods(15)	2695.03	-0.4	2705.09	2693.33	2698.76	2547.54	3.60	2.41	14.07	51.28	1032.17
36 Health Care(20)	2078.98	+1.4	2049.29	2052.65	2048.57	1758.05	2.56	1.88	26.05	27.65	1265.60
37 Pharmaceuticals(12)	4808.05	-0.7	4840.03	4898.83	5044.89	3802.63	3.54	1.86	18.94	81.77	1633.08
38 Tobacco(1)	4180.36	-0.3	4193.09	4282.03	4235.44	4077.97	6.08	2.00	10.29	156.18	1050.08
40 SERVICES(253)	2492.89	.....	2494.08	2493.47	2510.51	2000.73	2.83	2.04	21.66	32.56	1295.14
41 Distributors(32)	2932.88	-0.3	2940.89	2952.62	2972.63	2475.73	2.85	1.78	24.62	36.69	1061.87
42 Leisure & Hotels(23)	3204.87	-0.1	3207.71	3201.51	3234.08	2276.57	2.75	1.95	23.34	141.77	1725.92
43 Media(46)	4190.55	.....	4192.30	4180.64	4235.14	2951.51	2.12	1.95	30.16	46.46	1517.70
44 Retailers, Food(15)	1942.24	+2.0	1903.85	1902.26	1920.04	1910.14	3.87	2.40	13.49	19.54	1228.49
45 Retailers, General(43)	2025.42	-0.6	2037.99	2043.92	2046.60	1674.81	2.95	2.20	19.03	10.16	1152.98
47 Breweries, Pubs & Rest.(24)	3118.86	-0.4	3130.73	3139.94	3155.50	2353.37	3.20	2.06	18.99	15.79	1487.69
48 Support Services(49)	2346.85	-0.1	2348.43	2346.31	2343.82	1578.64	1.95	2.46	26.14	23.00	1492.19
49 Transport(21)	2418.08	-0.5	2430.29	2422.06	2435.18	2280.35	3.59	1.40	24.87	28.88	1004.99
60 UTILITIES(33)	2449.58	-0.7	2467.89	2496.31	2536.33	2345.22	5.07	2.05	12.01	46.63	1038.97
62 Electricity(12)	2857.04	-1.0	2886.52	2888.67	2836.00	2225.23	4.89	2.56	9.98	137.11	1375.17
64 Gas Distribution(2)	1453.73	-0.5	1460.37	1546.77	1547.63	1975.48	8.24	1.38	11.17	64.68	761.19
66 Telecommunications(7)	2001.88	-0.5	2012.85	2036.78	2127.08	2062.42	4.21	1.75	16.90	0.15	906.17
68 Water(12)	2112.51	-1.0	2133.58	2129.15	2142.26	1828.05	5.78	2.59	8.37	3.61	1145.59
69 NON-FINANCIALS(665)	1995.63	-0.4	2002.65	2012.28	2030.34	1738.24	3.77	1.93	17.16	33.68	1513.11
70 FINANCIALS(105)	2842.06	-0.6	2859.76	2878.33	2854.48	2343.34	4.18	3.03	11.35	66.26	1228.92
71 Banks, Retail(8)	3913.35	-0.8	3945.04	3978.19	3980.94	3144.94	4.09	2.89	10.60	107.54	1256.03
72 Banks, Merchant(6)	3541.52	.....	3540.36	3657.26	3695.35	3258.18	2.78	2.38	18.87	36.38	1121.89
73 Insurance(23)	1479.54	-0.4	1485.89	1513.58	1390.62	1308.29	5.33	3.15	7.45	37.62	1113.99
74 Life Assurance(6)	3600.10	-0.8	3628.70	3643.21	3633.30	2591.26	4.15	2.22	13.53	100.72	1509.18
77 Other Financial(21)	2654.07	-0.3	2661.71	2655.31	2665.48	1999.24	3.68	1.82	18.66	29.60	1505.48
79 Property(41)	1587.59	+0.1	1586.46	1552.83	1572.69	1389.30	4.03	1.32	23.53	13.54	859.40
80 INVESTMENT TRUSTS(126)	3210.99	-0.7	3234.37	3238.81	3262.35	2755.24	2.15	1.06	54.68	24.17	1119.79
89 FT-SE-A ALL-SHARE(896)	1870.23	-0.4	1877.91	1887.22	1898.63	1613.43	3.78	2.04	16.20	33.17	1581.09
FT-SE-A Fledgling	1241.59	-0.1	1243.14	1242.36	1244.99	990.06	2.76	2.19	20.78	11.88	1295.74
FT-SE-A Fledgling ex Inv Trusts	1250.52	-0.1	1251.83	1250.80	1252.85	983.96	2.98	2.36	17.75	12.82	1305.11

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3718.7	3722.6	3727.4	3726.3	3724.5	3724.1	3718.3	3714.8	3712.2	3730.7	3707.3
FT-SE Mid 250	4521.6	4522.1	4519.4	4521.0	4517.1	4515.3	4514.0	4511.9	4506.3	4522.7	4504.4
FT-SE-A 350	1890.0	1891.5	1893.1	1893.6	1891.8	1891.4	1889.1	1887.5	1885.9	1895.8	1883.8

Time of FT-SE 100 Day's high: 10:33 AM Day's low: 4:30 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 2954.2 (23/01/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1238.9	1236.6	1236.1	1236.1	1236.1	1235.0	1234.3	1233.4	1233.5	1233.5	1238.0	-4.5
Pharmaceuticls	4781.8	4783.8	4781.1	4776.9	4768.7	4772.9	4757.7	4751.0	4741.3	4733.5	4766.5	-33.0
Water	2117.0	2118.8	2116.7	2118.9	2112.0	2104.8	2104.6	2107.2	2104.7	2104.0	2125.4	-21.4
Banks, Retail	3883.9	3889.1	3891.5	3887.9	3885.4	3886.7	3878.1	3876.1	3870.9	3862.0	3894.1	-32.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	638	458	[illegible]
ASDA Group†	4,600	113	[illegible]
Abbey National†	3,500	[illegible]	[illegible]
Albert Fisher	1,200	52	[illegible]
Allied Domecq†	485	488	[illegible]
Anglian Water	125	574	[illegible]
Argos†	509	645	[illegible]
Argyll Group†	3,600	336½	+8½
Arjo Wiggins	1,700	183	[illegible]
Assoc. Brit. Foods†	683	375	[illegible]
Assoc. Brit. Ports	184	289	[illegible]
BAA†	1,400	505	[illegible]
BAT Inds.†	4,900	494	[illegible]
BET	11,000	225½	[illegible]
BBA	389	322	[illegible]
BICC	1,000	305	[illegible]
BOC†	427	890	[illegible]
BP†	4,100	562½	-6½
BPB Inds.	582	326	[illegible]
BSkyB†	2,400	459	[illegible]
BT†	11,000	334½	-1½
BTR†	8,600	311½	-1½
Bank of Scotland†	5,000	237	[illegible]
Barclays†	4,000	747	+2
Bass†	2,300	765	[illegible]
Blue Circle†	657	360	[illegible]
Booker	249	391	[illegible]
Boots†	467	617	-4
Britannic	49	785	[illegible]
Brit. Aerospace†	739	889	[illegible]
British Airways†	6,200	532	[illegible]
British Biotech	197	2375	[illegible]
British Gas†	6,100	217	[illegible]
British Land	881	422	[illegible]
British Steel†	3,300	191½	-1½
Bunzl	344	235	[illegible]
Burmah Castrol†	187	1036	[illegible]
Burton†	487	164½	[illegible]
Cable & Wire†	3,000	476	+6
Cadbury Schweppes†	2,200	492½	-13½
Caradon	1,100	234	[illegible]
Carlton Comms.†	1,300	487	[illegible]
Chubb	7,100	365	[illegible]
Coats Viyella	431	180	[illegible]
Comm. Union†	924	603	[illegible]
Compass	732	553	[illegible]
Cookson†	2,800	307	[illegible]
Courtaulds†	807	405	[illegible]
Dalgety	159	378	[illegible]
De La Rue	387	729	[illegible]
Dixons†	2,000	482	-10
East Midland Elect.	846	625	[illegible]
Electrocomps	885	395	[illegible]
Eng China Clays	1,900	363	[illegible]
Enterprise Oil†	520	431	[illegible]
Eurotunnel Units	344	76	[illegible]
FKI	472	172	[illegible]
Foreign & Col. I.T.†	953	159½	[illegible]
Gen. Accident†	764	630	[illegible]
General Elect.†	3,600	351½	[illegible]
Glaxo Wellcome†	4,800	771½	-7½
Glynwed	263	357	[illegible]
Granada†	1,100	816	[illegible]
Grand Met.†	7,200	426½	[illegible]
GUS†	1,900	681	[illegible]
Greenalls†	459	524	[illegible]
GRE†	6,800	265	[illegible]
GKN†	670	988	[illegible]
Guinness†	3,900	479	+7
HSBC (75p shs)†	3,000	932	-16
Hammerson	637	368	+3
Hanson†	7,600	190½	[illegible]
Harrisons Crosfield	2,000	146	[illegible]
Hays	870	482	[illegible]
Hillsdown	970	180	[illegible]
Hyder	1,000	718	[illegible]
IMI	531	367	[illegible]
ICI†	1,100	878	[illegible]
Inchcape	1,500	285	[illegible]
Johnson Matthey	80	609	[illegible]
Kingfisher†	3,250	571	[illegible]
Kwik Save	28	445	[illegible]
Ladbroke†	2,800	191	[illegible]
Land Securities†	782	654	[illegible]
Laporte	377	726	[illegible]
Legal & General†	1,400	728	[illegible]
Lloyds Abbey	520	628	[illegible]
Lloyds TSB†	4,100	307	[illegible]
LASMO†	1,800	187	[illegible]
London Elect	479	808	[illegible]
Lonrho	974	190½	[illegible]
Lucas	12,000	227	-6½
MEPC	289	436	[illegible]
MFI	262	175	[illegible]
Marks & Spencer†	4,000	483	[illegible]
Mercury Asset Man	297	905	[illegible]
Midlands Elec	2,300	424	[illegible]
Morrison (Wm.)	2,000	173	[illegible]
NFC	4,600	183	[illegible]
NatWest Bank†	3,100	624	[illegible]
National Grid†	1,300	197	-1½
National Power†	2,400	535	[illegible]
Next	412	541	[illegible]
Northern Elect.	622	832	[illegible]
Northern Foods	118	180	[illegible]
Pearson†	1,000	702	+16
P & O†	1,900	525	[illegible]
Pilkington†	1,700	209½	[illegible]
PowerGen†	2,300	544	[illegible]
Premier Farnell	2,100	733	[illegible]
Prudential†	1,900	439	[illegible]
REXAM†	642	373	[illegible]
RMC†	297	1068	[illegible]
RTZ†	2,200	1070	[illegible]
Racal	283	336	[illegible]
Rank Org.†	2,800	533	[illegible]
Reckitt & Colman†	508	707	[illegible]
Redland†	469	405	[illegible]
Reed Intl.†	678	1120	[illegible]
Rentokil†	14,000	397	[illegible]
Reuters†	2,100	747	[illegible]
Rolls Royce†	3,800	221	-3
Ryl Bk Scotland†	5,200	527	+5
Royal Insurance†	5,500	422	[illegible]
Sainsbury†	12,000	372	+15
Schroders†	39	1255	[illegible]
Scottish & New.†	1,300	686	[illegible]
Scot. Hydro-Elect.	1,000	348	[illegible]
Scottish Power†	658	367	[illegible]
Sears	2,000	97½	[illegible]
Sedgwick	767	147	[illegible]
Severn Trent†	607	567½	-10½
Shell Transport†	1,700	851½	-3½
Siebe†	854	833	-10
Slough Ests	382	227	+1
Smith (W.H.)	332	487	-8
Smith & Nephew†	8,100	201¼	+6¼
SmKl Beecham†	3,900	648½	-6
Smiths Inds.†	468	888	[illegible]
Southern Elect†	660	829	[illegible]
South West Water	43	670	[illegible]
Southern Water	278	714	[illegible]
Standard Chartd.†	1,500	601	[illegible]
Storehouse	107	331	[illegible]
Sun Alliance†	7,200	401	[illegible]
T&N	4,700	171	[illegible]
TI Group†	661	551	+1
Tarmac	3,100	123½	[illegible]
Tate & Lyle†	3,200	462	-14
Taylor Woodrow	1,200	171	[illegible]
TeleWest	1,000	171½	-2½
Tesco†	14,000	272	+5
Thames Water†	5,400	574	[illegible]
Thorn EMI†	2,200	1759	[illegible]
Tomkins†	831	263	[illegible]
Trafalgar House	110	50½	[illegible]
Unigate	762	410	[illegible]
Unilever†	2,100	1233	[illegible]
United Biscuits	1,500	230	[illegible]
Utd. News & Media	757	708	+6
United Utilities†	2,800	568	[illegible]
Vodafone†	7,800	247	-8
WPP	5,000	200	[illegible]
Wessex Water	604	322	-11
Whitbread†	3,100	738	-8
Williams Hldgs.†	1,600	327	[illegible]
Willis Corroon	744	150	[illegible]
Wimpey	318	149	[illegible]
Wolseley†	721	453	[illegible]
Yorkshire Elect	768	812	-17
Yorkshire Water	460	639	[illegible]
Zeneca†	693	1372	+5

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

UNHCR
United Nations High Commissioner for Refugees

INT

هكذا من الاصل

WORLD STOCK MARKETS

Rockwell, builder of the space shuttle, also makes the majority of the fax and data modems in the world

Rockwell

US INDICES

NYSE Comp.	343.33	344.74	346.40	351.92 (4/4)	321.41 (10/1)	351.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	587.70	589.10	589.89	593.78 (1/5)	529.05 (18/1)	593.78 (1/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1182.68	1186.31	1184.60	1199.86 (1/5)	988.57 (15/1)	1199.86 (1/5/96)	54.87 (31/10/72)

■ RATIOS

	May 3	Apr 26	Apr 19	Year ago
Dow Jones Ind. Div. Yield	2.21	2.17	2.17	2.62
	May 1	Apr 24	Apr 17	Year ago
S & P Ind. Div. yield	1.88	1.87	1.90	2.22
S & P Ind. P/E ratio	21.60	21.43	21.18	16.70

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Zenith Ebr	19,149,300	17¼	-5⅝
Unisys	10,151,000	7¼	+¾
Merck	4,877,600	57¾	+⅛
Fed Nat Mtg	4,782,800	28¾	+¼
Tandem	4,031,400	13⅝	-⅛
Utd Hlth	3,624,900	54⅛	-1⅜
Ford Motor	3,542,900	36	+⅜
Pfizer	3,263,600	64⅝	-2⅛
Telefonos	3,142,200	33⅝	+⅛
Crompton	2,918,900	17	+¼

■ TRADING ACTIVITY

● Volume (million)

	May 7	May 6	May 3
New York SE	409.214	375.656	429.918
Amex	28.187	29.614	31.662
NASDAQ	625.109	692.767	719.825
NYSE			
Issues Traded	3,136	3,116	3,110
Rises	998	1,035	1,074
Falls	1,327	1,278	1,172
Unchanged	811	805	864
New Highs	44	60	75
New Lows	20	21	17

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	638.75	634.90	-4.15	639.05	633.60	74,502	183,521
Sep	642.50	640.20	-4.20	643.00	639.00	630	9,807

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	21500.0	21660.0	+150.0	21710.0	21450.0	21,697	267,428
Sep	21380.0	21750.0	+160.0	21750.0	21540.0	1,541	17,024

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (May 8 / Can $)

4 pm close

Sales			+/-	High	Low
297072	Abitib	19¼	-¼	23⅝	18⅛
129720	AgnEag	27⅞	-⅛	27⅞	17⅞
863242	AirCda	5⅞		6⅝	4½
94497	AlbtaE	25	-⅝	27¼	21¼
954380	AlcnAl	46	+⅝	46¼	38¾
15630	AtcoCl	18⅞		18⅞	17⅞
110306	Avenor	23		25½	18⅞
20489	BCSugA x	10⅞		11¼	8⅞
48820	BC Tel	26¼	-⅛	26⅞	24⅞
1048607	BCE	54⅞	-⅛	54⅞	47
12562	BCE Mb	45¼		48½	43½
35845	BGR A	20½	+¼	20⅝	13¼
1421030	BkMont x	32¼	+⅛	33¼	30¼
914824	BkNovS	30⅞		32¼	29⅞
575507	BrskGd	42⅞	-⅞	45	36¼

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. Owing to technical problems, some North American prices may be pre-close. FT FREE ANNUAL REPORTS SERVICE You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3105. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, May 8, 1996

	Stocks Traded	Closing Prices	Change on day
Sakai Heavy Ind	10.2m	1590	+150
Harwa	8.8m	430	+25
Nippon Stl Corp	6.9m	374	+4
Janome Sewing	6.0m	523	-42
Sumitomo Mtl Ind	5.4m	331	
Japan Energy	4.9m	413	+4
Yamatane Corp	4.1m	956	-43
Kawasaki Steel	3.9m	385	+2
Toshiba Corp	3.7m	812	+12
Nissho Iwai	3.4m	605	+5

4 pm close May 8

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	18⅛	AAR	0.48	2.3	22	1022	21⅛	20⅞	20⅞	-⅛
46⅛	38⅛	AMP x	1.00	2.3	21	3028	43⅛	42⅛	43¼	+⅛
94	68	AMR			21	7198	88½	86⅜	87¾	-⅞
50½	37⅜	ASA	1.80	3.9	30	729	46⅝	45⅞	46	-¼
44¾	38⅛	AbbtL	0.96	2.4	17	13032	39¾	38⅝	39¾	+¼
17¼	13⅜	Abitibi Pr	0.40	2.8	7	1403	14¼	14	14⅛	-⅛
35½	27	ABM Ind	0.70	2.0	18	108	u35½	34⅞	35½	+⅝
16	13⅞	Acpincoln			56	72	15⅞	15¾	15⅞	
50⅜	37¾	ACE Ltd	0.58	1.3	10	2786	42⅛	40½	42⅛	+⅜
9⅞	9⅛	ACM Gvt In x	0.90	9.2	8	394	9¾	9⅝	9¾	
7⅞	6¾	ACM GvOpp x	0.57	8.3		138	6⅞	d6¾	6⅞	
7¼	6¼	ACM Gvt Sp x	0.66	10.4		646	6⅜	d6¼	6⅜	
9⅛	8¼	ACM Gvt Se x	0.90	10.6		600	8⅝	8⅜	8½	-⅛
9½	8⅞	ACM Man x	0.90	10.0		245	9	d8⅞	9	
30¾	16½	AcmeCiv x	0.52	1.7	7	294	30	29⅞	30	-⅛
13⅞	6⅛	Acme Elect			52	258	9¾	9¼	9½	-⅜
32½	27¾	Acordia	0.72	2.2	19	6	32⅛	32	32	-¼
21	12	Acuson			90	1141	19⅞	19	19⅞	
19½	18⅜	Adams Expr	1.66	8.9	0	496	18⅞	18⅝	18⅝	-⅛
21¼	16⅛	AdvMic			8	8442	19⅛	18⅜	19	
11⅛	8½	Advest Grp	0.16	1.6	7	90	10¼	10⅛	10¼	
26⅛	9⅛	Advo Inc	0.10	0.9	63	545	11⅝	11⅛	11½	+¼
50⅜	41⅛	Aegon	1.23	2.5	15	92	49⅞	49½	49½	-⅜
[illegible]										
32⅞	26⅝	Barnett	0.12	0.4	40	14309	32⅛	31¼	31⅜	-⅞
19⅝	14⅜	Barry(RG)			17	54	17⅜	17¼	17¼	
11⅝	8½	BattMt	0.05	0.6	800	7367	9¼	8⅞	9	-⅛
41⅜	36⅛	Bausch	1.04	2.6	20	1422	39⅞	38⅝	39⅞	+⅞
47½	39¾	Baxter	1.21	2.9	17	4292	41¾	40⅞	41¾	+⅛
43⅜	26	BayNtwks			33	32943	36½	34	36½	+2⅛
29⅞	26½	Bay St Gas	1.54	5.6	12	40	27½	27¼	27⅜	+⅛
40⅞	23¼	BBN			9	713	28⅛	27¼	27⅝	+⅛
22¾	20¼	Bd Tr 1638	1.56	7.7		18	20⅜	d20¼	20¼	-⅛
8½	7¾	BEA IncFd x	0.72	9.0		84	8⅛	8	8	
9⅜	8½	Bea Strat x	0.81	9.3		55	8¾	8⅝	8¾	
25¾	19⅛	Bear Stms	0.60	2.4	8	2348	24¾	24	24½	-⅛
44½	41	BearStPIA	2.75	6.3		2	43½	43½	43½	
33¾	24	Bearings	0.56	1.9	16	814	30⅝	29	29½	-1½
41⅛	33½	Beckman In	0.52	1.4	19	299	36¼	35¾	36	-⅛

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HEWLETT PACKARD

Continued on next page

4 pm close May 8

NYSE PRICES

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close May 8

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
ACC Corp	0.12	77	2883	u39¼	37⅞	38	-1
Acclaim E		11	4674	10⅞	10½	10⅞	+⅛
Acme Mkts		8	81	17½	17	17½	-⅛
Acxiom Cp		38	635	28¾	28	28⅝	+½
Adaptech		23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ADC Tele		41	3099	42¾	41½	42	-½
Addington		11	759	13⅞	13	13⅛	-⅝
AdiaADR	0.16	12	35	28¼	28¼	28¼	
Adobe Sys	0.20	[illegible]	[illegible]	[illegible]	38¾	40	-¾
Adv Logic		12	624	7⅝	7⅜	7½	-⅛
Adv Polym		15	1457	10⅛	9¾	9½	-½
AdvTchLab		28	2549	32¾	31¼	31¾	-⅛
Advanta	0.36	18	1538	55¼	53¼	55¼	+⅝
AgnicoEa	0.10	54	112	u20	19⅝	19¾	-¼
AirExpr	0.20	17	[illegible]	u29¼	[illegible]	[illegible]	[illegible]
Alco ADR	1.79	10	391	58⅝	58	58¼	+⅛
AlexBld	0.88	20	828	25	24½	24¾	+¼
Allen Org	0.52	12	2	38½	38¼	38½	
Alien Ph		13	2222	18¼	17¼	17⅝	-¼
AlldCapII	1.32	16	39	17¾	17⅛	17¾	+⅛

[illegible]

AMEX PRICES

4 pm close May 8

[illegible]

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AMERICA

Dow falls further as tech shares tumble

Wall Street

US shares fell for a fifth consecutive session yesterday as the technology sector tumbled and investors worried that the bond market could weaken *sharply after an afternoon auction of 10-year notes, writes Lisa Bransten in New York.*

The Dow Jones Industrial Average dropped nearly 79 points in early trading as bonds slipped, but later bounced off its morning low amid a recovery in the bond market.

By 1 pm the Dow was off 51.66 at 5,369.29 and the Standard & Poor's *500* had lost 6.18 at 632.08. The American SE composite shed 6.36 to 561.96. NYSE volume was 231m.

Activity on both the stock and bond markets was volatile ahead of the Treasury Department's afternoon auction of $14bn in 10-year notes. Demand was weak at Tuesday's auction of $19bn of three-year notes.

Investors did draw some comfort from the Beige Book – a summary of the economy prepared by the Federal Reserve in advance of its May 21 Open Market Committee meeting – which said price levels remained relatively steady.

Meanwhile, technology *shares sank amid pessimism* about demand for semiconductors. The Semiconductor Industry Association was to release its book-to-bill ratio – which is seen as a key measure of demand for chips – after the market closed.

In early trading, the Nasdaq composite, which is about 40 per cent comprised of technology shares, was off 15.52 at 1,167.15 and the *Pacific Stock* Exchange technology index was 2 per cent lower.

America Online sank $5¾ or 9 per cent to $64½ after the online service provider reported quarterly results that were generally in line with analysts' estimates. Some observers attributed the decline to a combination of profit-taking and concern about a new pricing system announced by the company.

Elsewhere, Associates First Capital, which began trading yesterday, had garnered a premium of $3 above its offering price of $29 by midday. The financial services company, a *unit of Ford Motor company,* raised $1.9bn by selling 67m shares at $29 each.

Canada

Toronto was lower in midsession trade, unable to avoid Wall Street's influence. The TSE 300 composite index was down 25.57 by noon at 5,141.40 in hefty volume of 53m shares.

BCE, Canada's largest company, fell 75 cents in active trading to C$53.85, with investors said to be profit-taking after the shares' recent sharp rises. Kinross Gold put on 15 cents at C$12.55 ahead of results later in the day.

Rogers Communications eased 5 cents to C$13.15 on Tuesday's news that it would sell its stake in Toronto Sun.

Mexico hit by US weakness

Mexico City reversed an early rise, bending to pressure from the weakness on Wall Street, and the IPC index was down 7.55 at 3,160.61 in midsession trade. ADRs of the benchmark Telmex *were $¼ easier at $33½ in New York, while* Telmex L shares, the largest issue on the bolsa, declined 8 centavos to 12.54 pesos.

SAO PAULO picked up 1 per cent in morning trade as investors awaited a vote by the Supreme Federal Tribunal, overruling an injunction that had halted discussions on social security reform and effectively put on hold all of the government's reform plans. The Bovespa *index rose 548.36 to 53,388.*

BUENOS AIRES continued its gentle bounce-back, ignoring US influences, and the Merval index was 3.70 higher at 564.76 by midsession, adding to gains made on Monday and Tuesday.

S African industrials at five-month low

Johannesburg's industrial shares dropped to a five-month low. Local and overseas investors fled the market after the *rand* collapsed, nearing its worst-ever level on rumours that the National party might pull out of government.

The industrials index plunged 203.8 to 7,939.8, pulling the overall index down 80.5 to 6,795.6.

Golds, however, seen as the *only safe haven for investors,* spurted through 2,000 points *for the first time in 17 months,* adding more than 2.5 per cent as a sturdy bullion price and the weak rand benefited the shares. The golds index jumped 51.5 to 2,007.5.

De Beers finished 25 cents *softer at R140, Sasol retreated* R1.45 to R41.75 and Sappi surrendered R2.05 to R47.75, but Freegold climbed R2 to a new high for this year of R51.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: May 3 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: May 3 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(247)	512.43	-1.1	+6.6			
Argentina	(31)	866.08	-1.5	+8.1	529,285.94	-1.8	+7.7
Brazil	(68)	332.75	-0.3	+9.0	1,235.14	-0.3	+11.2
Chile	(43)	731.14	-0.4	-2.3	1,191.72	-0.2	-2.3
Colombia[1]	(15)	651.54	+3.2	+8.9	1,225.99	+4.0	+16.8
Mexico	(65)	524.83	-2.6	+15.8	1,691.27	-1.5	+12.3
Peru[2]	(20)	211.29	-0.2	+7.1	309.74	+0.7	+11.5
Venezuela[3]	(5)	453.85	-6.5	+35.7	4,867.21	-6.7	+86.5
Asia	(631)	271.81	+0.1	+17.1			
China[4]	(23)	59.60	-4.7	+10.5	62.87	+4.7	+10.8
South Korea[5]	(145)	135.08	-0.5	+7.3	136.18	-0.6	+7.6
Philippines	(35)	289.87	+0.9	+11.7	365.92	+0.8	+11.3
Taiwan, China[6]	(83)	140.13	+1.1	+24.3	142.92	+2.0	+23.7
India[7]	(76)	104.44	-1.3	+30.0	128.15	-0.3	+27.7
Indonesia[8]	(44)	124.47	-3.6	+13.5	157.53	-3.7	+15.6
Malaysia	(123)	325.19	+0.1	+21.0	302.12	+0.1	+18.9
Pakistan[9]	(25)	278.04	+5.3	+14.5	440.00	+5.3	+16.7
Sri Lanka[10]	(5)	109.12	-1.9	+4.9	130.43	-1.3	+7.9
Thailand	(72)	382.14	+2.1	+1.7	383.37	+2.0	+2.0
Euro/Mid East	(238)	142.66	-0.2	+0.9			
Greece	(47)	242.70	+0.2	+0.5	399.73	+0.3	+3.3
Hungary[11]	(8)	154.37	+3.6	+56.8	274.17	+3.2	+69.4
Jordan	(8)	178.01	0.0	-3.6	265.74	0.0	-3.6
Poland[12]	(22)	649.57	+0.7	+52.4	1,087.68	+0.9	+64.3
Portugal	(26)	122.72	+0.9	+6.0	132.52	+1.3	+11.6
South Africa[13]	(63)	236.14	-1.0	-8.5	214.17	-1.6	+10.3
Turkey[14]	(54)	149.88	-0.8	+43.4	5,361.22	+2.8	+79.4
Zimbabwe[15]	(5)	361.32	+1.8	+31.5	522.02	+1.5	+38.4
Composite	(1116)	303.76	-0.4	+10.1			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

Poland's stock market must grow faster to accommodate potential foreign demand and avoid the risk of "speculative bubbles", Mr John P. Birkelund, the head of Dillon Read, warned this week as the Wig index hit a 52-week high yesterday after climbing by 6 per cent in three days, *writes Christopher Bobinski in Warsaw.*

"The Warsaw Stock Exchange is still too thin and too small," he said of the market, established five years ago, which currently quotes 73 stocks whose capitalisation yesterday stood at $8.1bn. The Wig indicator has risen by 74 per cent since the end of last year.

Mr Birkelund was in Warsaw for a meeting of the US Congress financed Polish American Enterprise Fund, which has $340m worth of public and private funds invested in Poland. He praised the WSE authorities for running the most "transparent" of the markets in the former Soviet bloc countries. But he is also looking to the government and managers of 15 funds established last year under the country's Mass Privatisation Programme to speed public offers and not allow the growth of the WSE to lose momentum.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS — TUESDAY MAY 7 1996

Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (80)	212.18	1.0	208.15	140.82	167.81	178.45	0.6	3.91
Austria (25)	186.49	1.1	182.95	123.77	147.48	147.41	0.8	1.91
Belgium (31)	207.70	0.4	203.76	137.85	164.27	160.22	0.1	4.14
Brazil (28)	161.46	2.0	158.39	107.16	127.70	294.83	2.1	1.82
Canada (98)	162.93	0.6	159.84	108.13	128.96	161.22	0.6	2.35
Denmark (30)	297.31	0.4	291.66	197.32	235.14	237.34	0.1	1.30
Finland (23)	186.59	-1.6	183.05	123.84	147.57	167.94	-1.9	2.66
France (97)	194.54	0.0	190.85	129.11	153.86	156.88	-0.3	3.05
Germany (60)	166.50	0.8	163.34	110.50	131.68	131.68	0.4	1.89
Hong Kong (59)	421.27	0.0	413.28	279.59	333.18	416.40	0.0	3.38
Ireland (16)	277.39	0.9	272.13	184.10	219.39	249.76	0.7	3.33
Italy (59)	83.24	0.4	81.66	55.25	65.84	96.77	0.3	2.19
Japan (481)	159.10	-1.1	156.08	105.59	125.83	105.59	-1.0	0.72
Malaysia (107)	568.25	-0.3	557.46	377.14	449.43	545.77	-0.3	1.58
Mexico (18)	1227.71	-0.1	1204.41	814.81	971.00	10090.81	-0.2	1.39
Netherland (19)	291.37	0.2	285.84	193.38	230.45	226.10	-0.1	3.12
New Zealand (15)	81.72	0.5	80.17	54.23	64.63	62.96	0.1	4.34
Norway (33)	247.39	0.2	242.70	164.19	195.66	219.91	0.0	2.38
Singapore (44)	431.38	0.0	423.18	286.29	341.17	279.09	-0.0	1.36
South Africa (45)	360.31	0.5	353.47	239.13	284.97	345.73	0.1	2.04
Spain (37)	175.99	-0.2	172.65	116.80	139.19	168.92	-0.7	3.29
Sweden (48)	343.77	-0.4	337.25	228.16	271.89	347.20	-0.6	2.30
Switzerland (39)	237.30	0.2	232.80	157.49	187.68	182.47	-0.2	1.60
Thailand (46)	182.50	0.3	179.04	121.12	144.34	178.71	0.2	1.83
United Kingdom (201)	229.08	-0.3	224.73	152.04	181.18	224.73	-0.6	4.08
USA (625)	260.55	-0.4	255.61	172.92	206.07	260.55	-0.4	2.25
Americas (770)	238.42	-0.4	233.90	158.24	188.57	200.41	-0.4	2.24
Europe (718)	207.03	0.0	203.10	137.40	163.74	182.76	-0.3	3.04
Nordic (134)	295.47	-0.3	289.87	196.10	233.69	261.42	-0.5	2.29
Pacific Basin (832)	171.99	-0.9	168.72	114.15	136.03	117.03	-0.8	1.14
Euro-Pacific (1550)	186.48	-0.5	182.94	123.76	147.48	141.96	-0.5	2.02
North America (724)	254.46	-0.4	249.63	168.88	201.25	253.60	-0.4	2.25
Europe Ex. UK (517)	189.76	0.2	186.16	125.94	150.08	157.81	-0.1	2.49
Pacific Ex. Japan (351)	292.47	0.2	286.92	194.11	231.32	251.38	0.1	2.94
World Ex. US (1740)	187.62	-0.4	184.06	124.52	148.39	146.41	-0.5	2.02
World Ex. UK (2164)	207.86	-0.4	203.92	137.96	164.40	174.69	-0.4	1.93
World Ex. Japan (1884)	238.35	-0.2	233.83	158.19	188.51	226.27	-0.3	2.56
The World Index (2365)	209.80	-0.4	205.82	139.24	165.93	178.28	-0.5	2.12

MONDAY MAY 6 1996 — DOLLAR INDEX

Figures in parentheses show number of lines of stock	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	208.99	206.66	139.11	166.66	175.43	212.18	182.68	177.43
Austria (25)	184.49	181.56	122.22	146.42	146.30	193.28	165.11	193.19
Belgium (31)	206.87	203.58	137.04	164.18	160.11	215.81	186.06	186.68
Brazil (28)	158.22	155.71	104.81	125.57	286.96	170.25	123.97	143.80
Canada (98)	162.04	159.47	107.34	128.60	160.25	162.93	134.14	156.84
Denmark (30)	296.04	291.34	196.11	234.95	237.11	305.17	272.15	277.88
Finland (23)	189.58	186.57	125.59	150.46	161.62	276.11	171.73	203.21
France (97)	194.57	191.48	128.89	154.42	157.43	198.39	167.70	184.33
Germany (60)	165.22	162.60	109.45	131.13	131.13	174.36	149.49	154.70
Hong Kong (59)	421.37	414.69	279.14	334.42	418.49	451.19	326.90	325.90
Ireland (16)	274.79	270.43	182.03	218.09	246.11	277.39	220.51	228.21
Italy (59)	82.93	81.61	54.94	65.82	96.62	83.57	67.22	76.22
Japan (481)	160.63	158.38	106.61	127.72	106.61	164.79	137.75	182.24
Malaysia (107)	569.94	560.90	377.56	452.33	547.66	595.09	425.77	475.09
Mexico (18)	1228.37	1208.88	813.74	974.91	10111.05	1313.61	791.99	1042.95
Netherland (19)	290.75	286.17	192.63	230.78	226.24	291.50	257.15	251.28
New Zealand (15)	81.35	80.06	53.89	64.57	62.87	85.49	76.26	84.31
Norway (33)	246.93	243.01	163.58	195.98	219.89	255.75	218.04	228.32
Singapore (44)	431.46	424.62	285.82	342.43	279.10	465.21	358.81	369.24
South Africa (45)	358.69	353.00	237.62	284.68	346.35	437.76	330.91	389.01
Spain (37)	176.37	173.57	116.83	139.97	170.09	178.65	141.19	145.19
Sweden (48)	345.13	339.66	228.64	273.92	349.45	352.26	250.63	256.31
Switzerland (39)	236.63	233.06	156.88	187.97	182.85	252.34	184.11	192.72
Thailand (46)	181.96	179.09	120.55	144.43	178.36	193.65	148.74	186.92
United Kingdom (201)	229.79	226.14	152.22	182.37	226.14	237.43	205.12	210.96
USA (625)	261.64	257.49	173.32	207.65	261.64	269.11	212.45	212.82
Americas (770)	239.28	235.48	158.51	189.90	201.13	245.64	195.09	195.26
Europe (718)	206.96	203.67	137.10	164.25	183.27	211.35	181.77	185.48
Nordic (134)	296.52	291.82	196.43	235.34	263.04	297.00	241.98	247.89
Pacific Basin (832)	173.51	170.76	114.94	137.71	117.93	177.01	148.86	169.46
Euro-Pacific (1550)	187.39	184.36	124.10	148.68	142.72	190.57	166.51	176.44
North America (724)	255.45	251.38	169.21	202.73	254.77	262.26	207.93	208.06
Europe Ex. UK (517)	189.34	186.34	125.43	150.27	157.95	192.87	163.36	168.82
Pacific Ex. Japan (351)	291.77	287.14	193.29	231.57	251.12	296.68	242.82	242.82
World Ex. US (1740)	188.37	185.38	124.79	149.50	147.11	191.55	167.35	176.97
World Ex. UK (2164)	208.73	205.42	138.27	165.66	175.45	212.60	179.23	185.33
World Ex. Japan (1884)	238.76	234.97	158.17	189.49	226.93	242.93	201.25	203.02
The World Index (2365)	210.65	207.31	139.55	167.19	180.00	214.82	181.82	187.59

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CONSTITUENT CHANGES WITH EFFECT 9/5/96: Deletions: GBL (V V P R), Electrabel (V V P R), Powerfin (V V P R) and Tractebel (V V P R). Name change: Cap Gemini Sogeti to CGS (France). Latest prices were unavailable for this edition.

EUROPE

Bourses weakened by Dow, rate worries

Interest rate worries, and more weakness on Wall Street, put pressure on bourses. **ZURICH**, which closed before the Dow's morning low, still dropped 1.4 per cent, the SMI index losing *49.5 at 3,534.1.*

Core blue chips were led down by Roche certificates, which fell SFr135 to SFr9,405. Other pharmaceuticals remained weak, with Ciba falling another SFr14 to SFr1,348 and *Sandoz* down SFr15 to SFr1,270. Goldman Sachs, however, reiterated its priority list recommendations for both companies, expecting that their merger into Novartis would go ahead by the end of the *summer* in spite of the EU anti-trust inquiry.

Rate worries left financials weaker. UBS lost SFr10 to SFr1,218, while Winterthur, *which reported a 15.1 per cent* rise in 1995 net profit, was down SFr5 at SFr780.

Adia was suspended as the market digested news of its planned merger with France's Ecco into the world's largest *temporary employment* agency. Mr David Sheridan at James Capel, who was upbeat on Adia's outlook before the news, said that he was more positive on the company's prospects after the merger. He *raised his 12-month target* share price for Adia from SFr300 to SFr330, compared with SFr285 at Tuesday's close.

AMSTERDAM backed off as Unilever went ex-dividend, as KLM dropped on a broker's earnings downgrade, and as *profits were taken in financials.* The AEX index fell in line with Zurich, off 8.03, or 1.4 per cent, at 551.56.

Unilever, net, fell in line with the market. *KLM* and the financials ING and ABN Amro *underperformed:* the airline shed Fl 2.70 at Fl 60.20 after Theodor Gillisen cut its 1996-97 earnings estimate from Fl 6.50 to Fl 5.25 a share, saying that the *carrier faced increased* competition and rising costs; ING fell Fl 2.40 to Fl131.50 and ABN Amro Fl 1.50 to Fl 88.40.

Speculators had to be quick. The engineering consultancy Heidemij was up 70 cents, or *nearly 7 per cent, at Fl 15.70 at* one point on rumours that one investor was building a limited stake. At the close the gain was 30 cents at Fl 15.30.

FRANKFURT had an uncomfortable afternoon but, in the end, *the Ibis Dax index* indicated a below-average decline of 20.01 to 2,456.78. Dealers said, however, that relatively low turnover, down from DM8.1bn to DM7.7bn, took any edge off this performance.

There were individual winners. SGL Carbon, down DM7 to DM141 on Tuesday after Hoechst said that it was going to sell its remaining 50 per cent stake in the company before the end of this year, looked again at a 55 per cent increase *in first-quarter profits* and, said Mr Udo Becker at Merck Finck in Düsseldorf, at good prospects for the second and third quarters of this year. The shares soared by DM15 or 10.6 per cent to DM156.

In blue chips, Hoechst itself fell in company with BASF and Merck, closing DM9.60 or 2 per cent lower at DM471.40. However, Volkswagen did well, rising DM7 to DM522 on a surge in first-quarter profits, and the *forecast* of a slight increase for the full year.

MILAN viewed Wall Street's weakness as an excuse for further profit-taking and the Comit index fell 6.32 to 653.91.

UBS, however, said that its gamble on Italy had paid off, but it was in no hurry to take profits and to move on. "Even after gaining 13 per cent in April, it still seems one of the better European markets to be invested in over *the next few* months," UBS said.

Among insurers, Ina fell L14 to L2,278 and Ras was L217 down at L17,068 after both groups reported sharp rises in 1995 profits, recovering from the problems *faced in 1994* when write-downs hit investment portfolios. Generali, which reported results on Tuesday, lost L721 to L38,456.

The telecoms sector was weak, with Tim down L74 to *L3,269;* some dealers were *saying* that the Fininvest-British Telecom link-up could pressure the group.

STOCKHOLM saw Ericsson buck the market's broadly weaker trend as the telecoms group reported a *better* than expected 28 per cent jump in first-quarter pre-tax profits. The Affärsvärlden General index eased 7.3 to 1,947.1, dragged down by the forestry *sector,* which lost 1.2 per cent.

Ericsson picked up SKr1.5 to SKr144, while among the day's other corporate reporters, Scania edged down SKr0.50 to SKr189.50 and Nordbanken picked up SKr1.5 to SKr117.

HELSINKI was pulled back as Nokia A hit an intra-day low of FM172, off FM6, ahead of the telecom group's first-quarter figures today; but dealers then saw the Ericsson progress report, Nokia ended at FM175 *and the Hex index down a percentage point at 1,985.28.*

Raisio, weakened on Monday by a profits warning, climbed back into record territory on the excitement over its new margarine, Benecol, ending *FM10 higher at FM175.*

Among early closing markets, **VIENNA** ended flat in spite of a disappointing first quarter at AMS, which left the chipmaker down Sch96 or 7.4 per cent at Sch1,199. The ATX index closed *0.89* higher at 1,110.99. **BUDAPEST** added to its string of highs with the Bux index up 67.42 or 2.4 per cent at 2,857.37, but **TEL AVIV** worried about a rise in the shekel and the Mishtanim index slid 2.78, or 1.4 per cent, to *201.56.*

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

May 8 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1656.84	1665.00	1664.89	1660.83	1660.19	1658.02	1655.86	1654.88
FT-SE Eurotrack 200	1708.33	1707.84	1707.77	1705.30	1704.89	1700.47	1702.28	1699.30

	May 7	May 3	May 2	May 1	Apr 30
FT-SE Eurotrack 100	1666.25	1668.01	1681.27	1679.81	1681.09
FT-SE Eurotrack 200	1706.91	1710.18	1725.47	1728.01	1728.15

Base value 1000 (26/10/90); High/day: 100 - 1667.33; 200 - 1708.95 Low/day: 100 - 1654.28 200 - 1698.71. † Partial.

ASIA PACIFIC

Nikkei recovers after four-session 3.3% loss

Tokyo

Bargain hunting lifted share *prices and the Nikkei average* recovered 1.1 per cent, following a 3.3 per cent loss over the previous four trading days, *writes Emiko Terazono in Tokyo.*

The 225 index closed up 283.82 at the day's high of 21,728.60 after a morning low of 21,432.48. In early trading the overnight decline on Wall Street weighed on investor confidence; but eventually bargain hunting by domestic institutions prevailed.

Volume totalled 440m shares, *against 450.1m. Domestic institutional* buying offset arbitrage unwinding, while individual investors and dealers targeted speculative stocks.

The Topix index of all first section stocks rose 10.71 to 1,681.18 and the Nikkei *300* by 2.16 to 316.85. Advances led declines by 660 to 404, with 172 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.39 to 1,459.84.

Traders said some domestic institutions were increasing their exposure to companies *expected to report favourable* earnings ahead of next week's start of the annual results season. "Confidence is not strong enough for buying across the board, but some investors have started stock picking," said a Japanese broker.

High-technology shares gained ground on hopes that demand for semiconductors in the US, which had been declining in recent months, was about to bottom out. The electrical engineering sector rose 1.3 per cent, Hitachi gaining Y10 at Y1,110 and Toshiba Y12 at Y812.

Carmakers advanced 1.4 per cent after their recent decline on the rise in the yen. Toyota Motor rose Y30 to Y2,370 and Nissan Motor Y11 to Y863.

Speculative favourites fluctuated wildly. Sakai Heavy Industries, the most active issue of the day, rose Y150 to Y1,590 and Topcon, a medical optical instrument maker, gained Y90 to Y1,650. Janome Sewing Machine, which had been actively bought over the *past few trading sessions,* fell Y120 to Y2,020 on profit-taking.

In Osaka, the OSE average moved up 54.38 to 23,309.71 in volume of 39.7m shares.

Roundup

Political analysts worried after *Tuesday night's predictions of* a hung parliament in India, saying that a congress/left coalition could slow political reforms. After an initial fall, however, foreign institutional investors bought aggressively, and **BOMBAY**'s 30-share index closed 54.38 or 1.5 per cent up *at 3,787.25, having registered a* day's low of 3,658.91.

Traders said the market was extremely volatile, as the nation awaited clear results from the general elections. However, the foreign institutions bought into a sheaf of stocks, including Reliance, which reported net profits up from Rs10.65bn to Rs13.05bn, and rose Rs5 to Rs251.25 with some 6m shares traded.

KARACHI seemed to be going nowhere at midsession, *as news of another bomb blast* in the Punjab weighed upon sentiment. However, the successful sale of a 26 per cent strategic stake in the state-run Banker's Equity seemed to turn the mood and the KSE-100 index closed 35.76 or 2.1 per cent higher at 1,761.04 in *volume up from 12.15m shares* to 17.77m.

MANILA climbed 1.7 per cent to an 18-month peak on encouraging economic indicators, the composite index rising 51.78 to 3,066.05 in 12.9bn shares dealt worth 2.97bn pesos. *PLDT, described as over*sold, rose 70 pesos or 5 per cent to 1,460 pesos after rumours that the telecoms group's first-quarter net income would be better than expected.

SINGAPORE and **KUALA LUMPUR** *subsided after over*night weakness on Wall Street, the Straits Times Industrial losing 24.33 at 2,371.83 and the KLSE composite 10.15 at 1,151.79. Investors in both markets were also concerned by Malaysian finance minister Mr Anwar Ibrahim's statement on Tuesday that the country had registered a trade deficit in February.

SEOUL took profits, and the composite index fell 10.07 to 976.77 after a 1996 intra-day high of 992.07. News that the government would allow financial companies to raise their paid-in capital by a total of Won700bn in the third quarter shook share prices in late trading, the banking and financial sub-indices falling by 1.2 and 1.3 per cent respectively.

SYDNEY *saw profit-taking in* resource stocks and weaker profits from News Corp, which left the latter 15 cents lower at A$7.05 as the All Ordinaries index eased 9.80 to 2,298.50. **HONG KONG**, short of impetus, left the Hang Seng index 84.85 lower at 10,617, while **SHANGHAI B** slid 0.716 or 1.4 per cent to 50.836, under pressure from late liquidations by foreign investors.

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RUSSIAN FINANCIAL MARKETS

RIIA

A conference convened by
THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS and CENTRE FOR FOREIGN INVESTMENT AND PRIVATIZATION
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FINANCIAL TIMES and FINANCIAL IZVESTIA

London, 20 & 21 May 1996

MONDAY, 20 MAY 1996

Opening Address:
A Kazakov, Deputy Prime Minister, Chairman, State Property Committee, Russia
G de Selliers, Deputy Vice President and Director of Russia Team, EBRD

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D Vasiliev, Chairman, Federal Commission on Securities and Stock Market, Russia
RUSSIAN FINANCIAL MARKETS: SPECIFICS OF DEVELOPMENT
S Aleksashenko, First Deputy Chairman, Central Bank of Russia
PRIVATIZATION: NEW OPPORTUNITIES
I Lipkin, First Deputy Chairman, Federal Property Fund, Russia
FINANCING THE STATE BUDGET: ROLE OF GOVERNMENT BONDS
B Zlatkin, Head of the Securities Department, Ministry of Finance, Russia

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M Zadornov, Chairman, Budget Committee, State Duma, Russia
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V Belov, Deputy Chairman, State Antimonopoly Committee
STATE SECURITIES MARKET INFRASTRUCTURE
Speaker from Moscow International Currency Exchange (MICEX)

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V Korovkin, Director, Foreign Investments, Federal Stock Corporation
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K Merzlikin, General Director, Interfax-Dealing
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A Datsenko, General Director, Moscow Partners (Securities)
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D Shatiloff, President, National Registration Company

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C Granville, Head of Research, United City Bank

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Speaker from Gazprom
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N Olshanova, Deputy General Director, Surgutneftegas
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Y Kondratyuk, Deputy Chairman, International Moscow Bank

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S Aleksashenko, First Deputy Chairman, Central Bank of Russia
M Urnov, Head of the Analytical Directorate in the Russian President's Administration
Prof R Layard, Director, Centre for Economic Performance London School of Economics

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